Norcen

Annual Report 1984

In 1984, Norcen achieved record financial performance.

Norcen Energy Resources is engaged in the exploration for and production of oil and natural gas in Canada, including Alberta, British Columbia, Saskatchewan, the Beaufort Sea and offshore East Coast, and the United States and Australia. Through subsidiaries and affiliates, Norcen also participates in significant iron ore operations in Labrador.

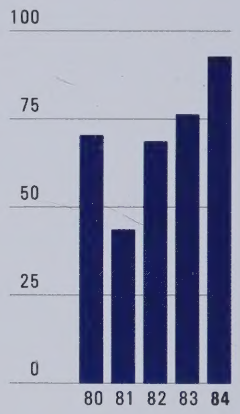
Cover:
Roughneck, Okie Dodai Skinner, descends drilling rig after a 12-hour shift.

Norcen's strategy of developing a variety of income streams continues to strengthen its operating and financial base. The Company has the flexibility to respond successfully to a challenging operating environment, both today and in the foreseeable future. As a result of its exceptionally strong financial position, Norcen is well poised for further growth.

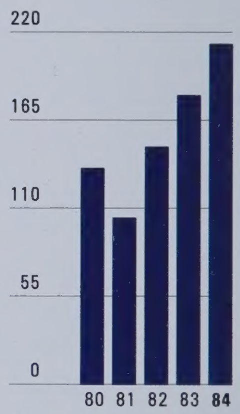
Highlights

Income applicable to ordinary shares
(millions of dollars)

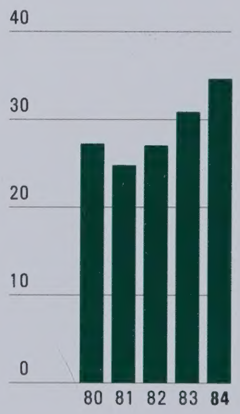
Income, funds from operations and production, reached an all time high.



Funds from operations
(millions of dollars)

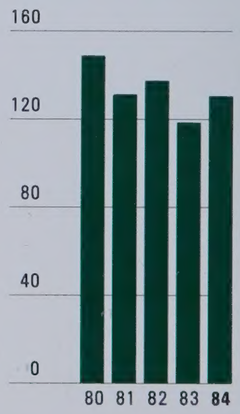


Crude oil and gas liquids production
(thousands of barrels per day)



Natural gas production
(millions of cubic feet per day)

Increased demand in Canada resulted in higher gas production.



Norcen
Energy Resources Limited

Notice of Annual Meeting

NOTICE IS HEREBY GIVEN that the Annual Meeting (the "Meeting") of shareholders of Norcen Energy Resources Limited (the "Company") will be held in Commerce Hall, Commerce Court West, King and Bay Streets, Toronto, Ontario on Tuesday, April 17, 1984 at 10:00 a.m. (local time), for the following purposes:

(1) to receive the annual report, including the consolidated financial statements and the auditors' report thereon;

(2) to elect directors;

(3) to appoint auditors and authorize the Board of Directors to fix their remuneration; and

(4) to transact such other business as may properly come before the Meeting or any adjournment or adjournments thereof.

DATED at Toronto, Ontario this 23rd day of March, 1984.

By order of the Board of Directors

W.T. KILBOURNE
Secretary

NOTE: Shareholders who are unable to attend the Meeting in person are requested to complete, date and sign the enclosed form of proxy and return it, in the envelope provided, to the Secretary of the Company, c/o National Trust Company, Limited, 18 King Street East, Toronto, Ontario M5C 1E4.

Norcen
Energy Resources Limited

4600 Toronto-Dominion Centre
Toronto, Ontario M5K 1E5

Proxy Circular and Statement

February 23, 1984

This Proxy Circular and Statement is furnished in connection with the solicitation of proxies on behalf of the Board of Directors of Norcen Energy Resources Limited (the "Company") for use at the Annual Meeting (the "Meeting") of shareholders of the Company called for April 17, 1984. This Proxy Circular and Statement and a form of proxy will be mailed to the shareholders on March 23, 1984.

All dollar amounts herein are stated in Canadian dollars.

Proxies

It is expected that the solicitation of proxies from the shareholders for use at the Meeting will be primarily by mail, but proxies may also be solicited personally by directors or regular employees of the Company. The cost of this solicitation will be borne by the Company. The Company will pay persons holding shares in their names or in those of their nominees for their reasonable expenses in sending solicitation material to their principals.

Each of the persons named in the enclosed form of proxy to represent shareholders at the Meeting is a director and/or officer of the Company. Each shareholder has the right to appoint some other person to represent him at the Meeting and may exercise this right by inserting such other person's name in the blank space provided in the enclosed form of proxy or by completing another form of proxy. A person so appointed to represent a shareholder at the Meeting need not be a shareholder.

To be voted at the Meeting, a proxy must be received by the Secretary of the Company or by the chairman of the Meeting prior to or at the Meeting. A shareholder who has given a proxy may revoke it by depositing another form of proxy bearing a later date or a form of revocation of proxy, signed by him or by his attorney authorized in writing, at the registered office of the Company at the address shown above, at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof. Alternatively, the shareholder may revoke the proxy, as to any matter on which a vote has not already been cast pursuant to the authority conferred by the proxy, by depositing such form of proxy or of revocation with the chairman of the Meeting at the Meeting or any adjournment thereof, or may revoke the proxy in any other manner permitted by law.

On any ballot that may be called for at the Meeting, all shares, in respect of which the persons named in the enclosed form of proxy have been appointed to act, will be voted or withheld from voting in accordance with the specifications made. If a specification is not made with respect to any matter, the shares will be voted on such matter as stated in this Proxy Circular and Statement. The form of proxy confers discretionary authority upon the persons appointed with respect to amendments to the matters identified in the notice of the Meeting and with respect to any other matters which may properly come before the Meeting.

The directors of the Company know of no matters to come before the Meeting other than the matters identified in the notice of the Meeting. If any matters which are not now known should properly come before the Meeting, the persons named in the enclosed form of proxy will vote on such matters in accordance with their best judgment.

Voting and ownership of shares

On November 4, 1983 each issued and outstanding Common Share of the Company was changed into one Voting Ordinary Share and one Non-Voting Ordinary Share and any unissued Common Shares were cancelled (the "Capital Change"). The information provided herein gives effect to such Capital Change.

Only persons who are holders of record at the close of business on March 22, 1984, of those shares entitled to vote, or who subsequently become holders of such shares and make a request to vote to the Secretary of the Company by the close of business on April 9, 1984, will be entitled to vote at the Meeting. On a ballot each First Preference Share and each Voting Ordinary Share will entitle the holder thereof to one vote. The Company has the following voting shares outstanding: 910 First Preference Shares, Series A; 67,228 First

Preference Shares, Series B; and 28,016,928 Voting Ordinary Shares. A quorum at the Meeting will consist of shareholders present in person or represented by proxy holding not less than 25% of the shares entitled to be voted at the Meeting.

To the knowledge of the directors and officers of the Company, the following table shows the share ownership in the Company of each person that beneficially owns, or exercises control or direction over, more than 5% of the outstanding shares of any class of the Company's voting shares.

Name of beneficial owner	Class of shares	Number of shares	Percent of class	Percent of total voting shares
Caisse de dépôt et placement du Québec,	Voting Ordinary	2,493,867	8.901	8.879
Labmin Resources Limited(1)	Voting Ordinary	9,643,250	34.419	34.335

(1) As a result of the corporate relationships described below, Mr. C. M. Black and Mr. G. M. Black indirectly control Labmin Resources Limited ("Labmin") and thus may be deemed to be "beneficial owners" of the shares of the Company held by Labmin and "control persons" of the Company within the meaning of United States Federal securities laws. Mr. C. M. Black and Mr. G. M. Black indirectly control Western Dominion Investment Company Limited ("WDI"), which, in turn, controls The Ravelston Corporation Limited (WDI, The Ravelston Corporation Limited and affiliated private companies are hereafter referred to collectively as "Ravelston"). Ravelston owns approximately 97% of the voting shares of Argus Corporation Limited ("Argus Corporation"). Ravelston and Argus Corporation directly and indirectly own approximately 5% and 40%, respectively, of the voting shares of Dominion Stores Limited ("Dominion Stores"). Dominion Stores owns approximately 93% of the voting shares of Hollinger Argus Limited ("Hollinger Argus"). Hollinger Argus owns approximately 1.3% of the Voting Ordinary Shares of the Company directly and approximately 85.4% of the voting shares of Labmin, which, in turn, owns approximately 34% of the Voting Ordinary Shares of the Company.

To the knowledge of the directors and officers of the Company, the following table presents the shares of the Company and its affiliates, other than the intercorporate holdings referred to in footnote 1 above, that are beneficially owned, or over which control or direction is exercised, by the Company's directors and officers as a group.

Corporation	Class of shares	Number of shares	Percent of class
Norcen Energy Resources Limited(1)	Voting Ordinary(2,3)	187,395	0.669
	Non-Voting Ordinary(2,3)	181,902	0.648
	Junior Preference 1983 Series	2,900	0.001
Coleman Collieries Limited	Preferred	10,000	0.282
Northern and Central Gas Corporation Limited	Second Preference	500	0.044
Prairie Oil Royalties Company, Ltd.	Common	4,000	0.204
Argus Corporation Limited(4)	Common	27	0.002
	Class C Preference	4,261	0.063
Dominion Stores Limited(4)	Common	7,765	0.050
Hollinger Argus Limited(4)	Common	165	0.003
Labmin Resources Limited(4)	Common	2,839	0.068

(1) Apart from Mr. Conrad M. Black and Mr. G. Montegu Black, no director or officer beneficially owns, or exercises control over, more than 0.152% of the outstanding voting shares of any class of the Company.

(2) The table includes 15,357 Voting Ordinary Shares and 15,357 Non-Voting Ordinary Shares of the Company that would be issued upon the exercise of employees' "market growth" stock options. The number of shares issuable upon the exercise of stock options has been calculated on the basis of the February 10, 1984 market price of the Company's Voting Ordinary and Non-Voting Ordinary Shares of $16.188 and $14.938 respectively. The holdings of Voting Ordinary and Non-Voting Ordinary Shares under the Employee Savings and Investment Plan are included as of December 31, 1983.

(3) *The table includes 71,246 Voting Ordinary Shares and 71,246 Non-Voting Ordinary Shares of the Company that would be issued upon conversion of the Convertible Junior Preference Shares, 1981 Series issued under the Preference Share Incentive Plan, which are presently convertible. The balance of such preference shares and all of the Convertible Junior Preference Shares, Series B recently issued under the same plan are excluded as they cannot now be converted. Over the next four years such shares will become convertible into an aggregate of 71,246 Voting Ordinary Shares and 432,793 Non-Voting Ordinary Shares.*

(4) *The number of shares indicated represents the personal holdings of the Company's directors and officers. For a discussion of intercorporate holdings see note 1 on page 2.*

Election of directors

Under the Articles and By-Law No. 1 of the Company, the Board of Directors consists of a minimum of 12 members and a maximum of 22 members, and the number of directors within such range is to be determined by the Board from time to time. There are to be 20 directors elected at the Meeting.

Unless the shareholder signing the form of proxy specifies that the form of proxy not be voted on the election of directors, or except to the extent that such shareholder specifies that authority to vote for any individual nominee be withheld, the persons named in the enclosed form of proxy intend to vote for the election as directors of the 20 nominees of the Board whose names are set forth in the table commencing below. All the nominees are presently directors of the Company. The Board has no reason to believe that any nominee will be unable to serve as a director but, should any nominee become unable to do so for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each director elected at the Meeting will hold office until the next annual meeting of shareholders or until his successor is elected or appointed.

The following table sets forth the name of each nominee together with background information regarding each nominee, including present principal occupation, principal occupations during the past 5 years, any positions held with the Company and its significant affiliates, and directorships with other corporations that are subject to United States Federal securities laws. The background information also includes the date on which each nominee first became a director of the Company. In the case of a nominee who was a director of Canadian Industrial Gas & Oil Ltd. or Northern and Central Gas Corporation Limited ("N&C") in 1975 when these corporations were reorganized to form the Company, the date given is the date on which he first became a director of one of these corporations. In addition, the table and the footnotes to the table show the number of shares of the Company and its affiliates that each nominee beneficially owns, or exercises control or direction over, directly or indirectly, as of February 23, 1984 except that holdings of Voting Ordinary and Non-Voting Ordinary Shares of the Company under the Employee Savings and Investment Plan are included as of December 31, 1983. The information as to shares owned beneficially, not being within the knowledge of the Company, has been furnished by the nominees individually.

Name	Background Information	Voting Ordinary Shares of the Company(1)	Non-Voting Ordinary Shares of the Company(1)
Robert F. Anderson	Mr. Anderson, 62, is Chairman, President and Chief Executive Officer, and a director of The Hanna Mining Company ("Hanna Mining") and since April, 1983, Chairman, President and Chief Executive Officer of Iron Ore Company of Canada. From June, 1979 to May, 1982 he was President and Chief Executive Officer of Hanna Mining and prior thereto he was President and Chief Operating Officer of that company. He has been a director of the Company since October, 1982. He is also a director of Midland SouthWest Corporation, St. John d'el Rey Mining Company p.l.c., Society Corporation and WellTech, Inc.	300	300
Donald D. Barkwell(1)(3)	Mr. Barkwell, 53, is Executive Vice-President of the Company. From January, 1979 to February, 1983 he was Senior Vice-President, Natural Resources of the Company. He is also a director of the Company's subsidiaries, Labrador Mining, N & C and Prairie Oil Royalties Company, Ltd. He has been a director of the Company since 1980.	21,829	21,997

Name	Background Information	Voting Ordinary Shares of the Company[1]	Non-Voting Ordinary Shares of the Company[1]
Douglas G. Bassett[10-12]	Mr. Bassett, 43, is President and Chief Executive Officer of Baton Broadcasting Incorporated (television and radio broadcasting company). He is also a director of Argus Corporation (closed-end investment company) and Hollinger Argus (investment company). He has been a director of the Company since 1981. He is also a director of Canadian Imperial Bank of Commerce.	[14]	—
Edward G. Battle[1][3][5]	Mr. Battle, 52, is President and Chief Executive Officer of the Company. Prior to April, 1980 he was President of the Company. He is also a director of Argus Corporation, Hollinger Argus and Labmin (investment company) and of the Company's subsidiaries, Labrador Mining and Exploration Company Limited ("Labrador Mining"), Greater Winnipeg Gas Company and N & C. He has been a director of the Company since 1969. He is also a director of Hanna Mining.	42,703	42,934
Conrad M. Black[2][3][10][12]	Mr. Black, 39, is Chairman of the Board of the Company and Chairman and a director of Argus Corporation. He is also a director of Dominion Stores and Vice-Chairman and a director of Hollinger Argus and Labmin. Prior to June, 1979 he was President of Argus Corporation. He has been a director of the Company since 1980. He is also a director of Canadian Imperial Bank of Commerce and Hanna Mining and Carling O'Keefe Limited.	[13,14]	—
G. Montegu Black[2][8][10-12]	Mr. Black, 43, is President and Chief Executive Officer and a director of Argus Corporation. He is also President and a director of Hollinger Argus, Chairman and a director of Dominion Stores, and an Executive Vice-President of Labmin. Prior to June, 1979 he was Executive Vice-President of Dominion Securities Limited (investment dealer). He has been a director of the Company since 1980. He is also a director of Hanna Mining and The Toronto Dominion Bank.	[13,14]	—
Edmund C. Bovey, C.M.[5][8][10][11]	Mr. Bovey, 68, is a director of various companies. Prior to April, 1981 he was Chairman of the Board of the Company. He is a director of Hollinger Argus, Labmin, Greater Winnipeg Gas Company and N & C. He has been a director of the Company since 1965. He is also a director of Canadian Imperial Bank of Commerce and PPG Industries, Inc.	13,432	13,432
Dixon S. Chant[10][11]	Mr. Chant, 70, is Executive Vice-President and a director of Argus Corporation. He is also a Vice-President and a director of Dominion Stores, and an Executive Vice-President and a director of Hollinger Argus and Labmin. He has been a director of the Company since 1980.	[14]	—

Name	Background Information	Voting Ordinary Shares of the Company[1]	Non-Voting Ordinary Shares of the Company[1]
E. Jacques Courtois, Q.C.	Mr. Courtois, 63, is a partner in the law firm of Stikeman, Elliott. Prior to March, 1982, he was senior partner in the law firm of Courtois, Clarkson, Parsons & Tétrault. He has been a director of the Company since 1969. He is also a director of The Bank of Nova Scotia and Phoenix Steel Corporation.	315	315
Robert Després, O.C.	Mr. Després, 59, is Chairman of Atomic Energy of Canada Limited and President and Chief Executive Officer of Netcom Inc. (holding company). Prior to July, 1980 he was President and Chief Executive Officer of National Cablevision Ltd. (cable distribution company). He has been a director of the Company since 1975. He is also a director of Domtar Inc.	27	27
Fredrik S. Eaton[9][11]	Mr. Eaton, 45, is Chairman, President and Chief Executive Officer of The T. Eaton Company Limited (department stores). He is a Vice-President and a director of Argus Corporation and a director of Hollinger Argus. He has been a director of the Company since 1980. He is also a director of Niagara Frontier Services Inc. and The Toronto-Dominion Bank.	[14]	—
John R. Finlay, Q.C.[5][10-12]	Mr. Finlay, 44, is a Vice-President of Argus Corporation. Prior to June, 1980 he was a partner in the law firm of Holden, Murdoch & Finlay. He is also a director of Argus Corporation, Dominion Stores, Hollinger Argus and Labmin. He has been a director of the Company since 1980/ AND IS THE SON OF P.C. FINLAY (BELOW).	10,000[14]	—
P. C. Finlay, Q.C.[5][8-12]	Mr. Finlay, 85, is Chairman and a director of Hollinger Argus, Labrador Mining and since May 1983, Labmin and a partner in the law firm of Holden, Murdoch & Finlay. From October, 1979 to May, 1981 he was Chairman, Chief Executive Officer and Treasurer of Hollinger Argus. Prior thereto he was President, Chief Executive Officer and Treasurer of Hollinger Argus. He has been a director of the Company since 1980.	2,000	2,000
Frederick A. M. Huycke, Q.C.[12]	Mr. Huycke, 59, is a partner in the law firm of Osler, Hoskin & Harcourt. He is also a director of N & C. He has been a director of the Company since 1972.	1,000	2,500
Richey B. Love, Q.C.	Mr. Love, 56, is a partner in the law firm of Macleod Dixon. He has been a director of the Company since 1965. He is also a director of Istel Fund, Inc.	—	—
Hon. W. John McKeag[10]	Mr. McKeag, 55, is President of McKeag Realty Ltd. He is also Chairman of Greater Winnipeg Gas Company and a director of Dominion Stores. He has been a director of the Company since 1980.	171	193

Name	Background Information	Voting Ordinary Shares of the Company[1]	Non-Voting Ordinary Shares of the Company[1]
F. David Radler[2][7][10][11]	Mr. Radler, 41, is President of Sterling Newspapers Ltd. He is also a Vice-President and a director of Argus Corporation and a director of Hollinger Argus. He has been a director of the Company since 1980.	549[14]	549
C. Bruce Ross[3][5][8-11]	Mr. Ross, 63, has been Vice-President, Minerals of the Company since January, 1984 and is also President of Labrador Mining. He is also an Executive Vice-President, and General Manager of Hollinger Argus and since May, 1983, President of Labmin. He is a director of Argus Corporation, Hollinger Argus, Labmin and Labrador Mining. He has been a director of the Company since 1980.	500	500
Barbara J. Sparrow[4][6]	Mrs. Sparrow, 48, has been Chairman of Calgary General Hospital since December, 1982 and is also a director of the Calgary Chamber of Commerce and a member of the Council for The College of Physicians and Surgeons for the Province of Alberta. Prior to 1980 she was President of Country Club Casuals Ent. Ltd. (retail merchandising company). She has been a director of the Company since 1979.	100	100
John R. Yarnell[4]	Mr. Yarnell, 55, is President of Yarnell Companies Limited (investment and management firm). He has been a director of the Company since 1978. He is also a director of Petrotech Inc.	—	100

(1) The number of shares shown includes Voting Ordinary and Non-Voting Ordinary Shares of the Company that would be issued upon the exercise of employees' stock options as follows: Mr. Barkwell, 5,622 of each and Mr. Battle, 5,622 of each. The options are "market growth options" and the numbers of shares have been calculated based upon the combined market price of Voting Ordinary and Non-Voting Ordinary Shares of the Company on February 10, 1984 of $31.126. The number of shares shown also includes Voting Ordinary and Non-Voting Ordinary Shares of the Company that would be issued upon conversion of the Convertible Junior Prèference Shares, 1981 Series which are presently convertible as follows: Mr. Barkwell, 9,999 Voting Ordinary Shares and 9,999 Non-Voting Ordinary Shares, and Mr. Battle 13,750 Voting Ordinary Shares and 13,750 Non-Voting Ordinary Shares.

(2) A company of which Messrs. C. M. Black, G. M. Black and Radler are officers and/or directors owns 255 of each of the Voting Ordinary and Non-Voting Ordinary Shares of the Company.

(3) Mr. Barkwell and Mr. Battle hold 12,045 and 16,562 Convertible Junior Preference Shares, 1981 Series of the Company, respectively, and Messrs. Barkwell, Battle, C.M. Black and Ross hold 10,000, 15,700, 16,000 and 5,000 Convertible Junior Preference Shares, Series B, respectively.

(4) Mrs. Sparrow and Mr. Yarnell hold 800 and 1,600 Convertible Junior Preference Shares, 1983 Series respectively.

(5) The information as to Voting Ordinary and Non-Voting Ordinary Shares of the Company does not include shares held by associates of Directors as follows: Mr. Battle, 100 Voting Ordinary and 100 Non-Voting Ordinary Shares; Mr. Bovey, 100 Voting Ordinary and 100 Non-Voting Ordinary Shares; Mr. J. R. Finlay, 43,000 Non-Voting Ordinary Shares; Mr. P. C. Finlay, 31,500 Non-Voting Ordinary Shares; and Mr. Ross, 100 Voting Ordinary and 100 Non-Voting Ordinary Shares, as to which Messrs. Battle, Bovey, J. R. Finlay, P. C. Finlay and Ross, respectively, disclaim beneficial ownership. In addition, associates of Mr. J. R. Finlay and Mr. P. C. Finlay own 25,800 Junior Preference Shares, 1983 Series, as to which Mr. J. R. Finlay and Mr. P. C. Finlay disclaim beneficial ownership.

(6) Mrs. Sparrow holds 500 Second Preference Shares, Series A of N & C.

(7) Mr. Radler holds 1,000 common shares of Prairie Oil Royalties Company, Ltd.

(8) Certain of the Directors hold shares of Labmin as follows: Mr. G. M. Black, 100 shares; Mr. Bovey, 100 shares; Mr. P. C. Finlay, 2,303 shares; and Mr. Ross, 436 shares. In addition, associates of Mr. P. C. Finlay own 124 shares of Labmin, as to which Mr. P. C. Finlay disclaims beneficial ownership.

(9) Certain of the Directors hold shares of Hollinger Argus as follows: Mr. Eaton, 25 shares; Mr. P. C. Finlay, 40 shares; and Mr. Ross, 100 shares.

(10) Certain of the Directors hold shares of Dominion Stores as follows: Mr. Bassett, 31 common shares; Mr. C. M. Black, 200 common shares; Mr. G. M. Black, 1,126 common shares; Mr. Bovey, 125 common shares; Mr. Chant, 1,625 common shares; Mr. J. R. Finlay, 725 common shares; Mr. P. C. Finlay, 400 common shares; Mr. McKeag, 1,000 common shares; Mr. Radler, 2,027 common shares; and Mr. Ross, 506 common shares. In addition, associates of Mr. J. R. Finlay, Mr. P. C. Finlay and Mr. Ross own 445, 8,827 and 187 shares of Dominion Stores, respectively, as to which Mr. J. R. Finlay, Mr. P. C. Finlay and Mr. Ross disclaim beneficial ownership.

(11) Certain of the Directors hold shares of Argus Corporation as follows: Mr. Bassett, 20 Class C preference shares; Mr. G. M. Black, 83 Class C preference shares; Mr. Bovey, 27 common shares and 83 Class C preference shares; Mr. Chant, 500 Class C preference shares; Mr. Eaton, 14 Class C preference shares; Mr. J. R. Finlay, 417 Class C preference shares; Mr. P. C. Finlay, 2,789 Class C preference shares; Mr. Radler, 85 Class C preference shares; and Mr. Ross, 270 Class C preference shares. In addition, associates of Mr. J. R. Finlay own 10,917 Class C preference shares; associates of Mr. P. C. Finlay own 100 Class A preference shares and 14,070 Class C preference shares; and associates of Mr. Ross own 57 Class C preference shares, as to which Mr. J. R. Finlay, Mr. P. C. Finlay and Mr. Ross disclaim beneficial ownership.

(12) Mr. C. M. Black and Mr. G. M. Black are brothers, Mr. J. R. Finlay is the son of Mr. P. C. Finlay and Mr. Bassett and Mr. Huycke are cousins.

(13) See note 1 to the beneficial ownership table on page 2 for a description of the beneficial ownership by Mr. C. M. Black and Mr. G. M. Black of Voting Ordinary Shares of the Company.

(14) Messrs. C. M. Black, G. M. Black and Radler are directors of WDI and The Ravelston Corporation Limited. In addition, Messrs. Bassett, Chant, Eaton and J. R. Finlay are directors and shareholders directly or indirectly of The Ravelston Corporation Limited, and Mr. Radler is an indirect shareholder of WDI. See note 1 to the beneficial ownership table on page 2.

Meetings of the Board and certain Board committees

The Board of Directors has created various standing committees, namely an Executive Committee, an Audit Committee, a Nominating Committee, a Compensation Committee and a Pension Committee. During 1983 the Board held 10 meetings and the Executive Committee, which, to the extent permitted by law, has all the powers of the Board to manage the business and affairs of the Company, held 1 meeting. The members of the Executive Committee are Messrs. C. M. Black (Chairman), Battle, G. M. Black, Bovey, Chant and Courtois.

The Audit Committee of the Board is composed of 6 directors, of whom 4 shall be neither officers nor employees of the Company or any of its subsidiaries. The functions of this committee include reviewing the annual financial statements of the Company and reporting on such statements to the Board, making recommendations to the Board with respect to the appointment and remuneration of the Company's auditors, and reviewing the scope of the audit. In addition, the Audit Committee reviews the Company's internal financial controls. In the course of performing these functions, the committee meets with the Company's auditors and with its financial personnel. During 1983 the Audit Committee held 3 meetings. The members of this committee are Messrs. Love (Chairman), J. R. Finlay, J. Louis Lebel, McKeag, Radler and Yarnell.

The Nominating Committee of the Board, which is composed of 5 directors, makes recommendations to the Board with respect to nominees for election as directors. Any shareholder who desires to have a person considered by the Nominating Committee for nomination as a director should submit the name of such person, together with biographical information regarding the person, to the Secretary of the Company not later than the 30th day of the month of November preceding the date of the annual meeting at which it is desired that the person be nominated. The Nominating Committee held 1 meeting in 1983. The members of this Committee are Messrs. C. M. Black (Chairman), Battle, G. M. Black, Chant and Courtois.

The Compensation Committee of the Board, which is composed of 5 directors, develops and recommends to the Board policies with respect to compensation of the Company's salaried personnel. During 1983 the Compensation Committee held 3 meetings. The members of this committee are Messrs. Eaton (Chairman), G. M. Black, Chant, Després and Radler.

The Pension Committee of the Board is composed of 5 directors, none of which shall be either an officer or employee of the Company or any of its subsidiaries. This committee reviews the performance of the pension plans of the Company and its subsidiaries. The members of the committee, which held 1 meeting during 1983, are Messrs. P. C. Finlay (Chairman), Anderson, Bassett and Eaton and Mrs. Sparrow.

During 1983 all directors with the exception of Messrs. Anderson, Bassett, Chant, Després, Eaton, Lebel and Radler and Mrs. Sparrow attended at least 75% of the aggregate of all Board of Directors' meetings and meetings of the committees of which they were members.

Management remuneration, benefits and transactions

The following table sets forth the aggregate remuneration paid or accrued in 1983 by the Company and its subsidiaries to or for the benefit of the directors and officers of the Company.

	Directors' fees	Salaries and consulting fees	Bonuses	Personal benefits	Total
REMUNERATION OF DIRECTORS WHO WERE NOT OFFICERS (19 persons)					
Norcen Energy Resources Limited	$285,750[1]	$ 119,984			$ 405,734
Coleman Collieries Limited	500				500
Greater Winnipeg Gas Company	4,400	23,000		$ 924	28,324
Hollinger North Shore Exploration Inc.	1,250				1,250
Labrador Mining and Exploration Company Limited	6,500	126,334			132,834
Northern and Central Gas Corporation Limited	12,000				12,000
Prairie Oil Royalties Company, Ltd.	600				600
REMUNERATION OF OFFICERS (20 persons including 3 officers who were also directors)					
Norcen Energy Resources Limited		2,028,921	$204,000[2]	190,741[3]	2,423,662
Labrador Mining and Exploration Company Limited		14,583			14,583
Northern and Central Gas Corporation Limited		162,500		11,256	173,756
	$311,000	$2,475,322	$204,000	$202,921	$3,193,243

(1) *Directors of the Company, excluding salaried officers, receive an annual fee of $8,000 plus a fee of $500 for each board and committee meeting attended. All members of the Executive Committee and other committees, other than salaried officers, receive additional annual fees of $5,000 and $1,000, respectively. In addition, chairmen of the other committees receive an annual fee of $1,000.*

(2) *These bonuses were earned in 1982 and paid in 1983. They were not included in the remuneration tables of the previous year, although disclosed in the bonus plan material.*

(3) *These benefits include amounts attributable to Mr. Battle, and Mr. Hennenfent consisting of company cars $5,661 and $4,383 respectively, company contributions to the Employee Savings and Investment Plan of $18,250 and $7,453 respectively, imputed interest on interest-free mortgage loans of $10,176 and $6,199 respectfully, and a house allowance of nil and $1,664 respectively.*

The following table sets forth the aggregate cash compensation paid or accrued in 1983 by the Company and its subsidiaries to or for the benefit of the indicated executive officers and to executive officers as a group.

Cash Compensation Table

Name of individual or Number in Group	Capacities in which served	Cash Compensation
Donald D. Barkwell	Executive Vice-President	$ 222,000
Edward G. Battle	President and Chief Executive Officer	350,500
Barry D. Cochrane	Senior Vice-President	136,735
William C. Hennenfent	Vice-President, Exploration	144,205
Jean-J. Leroux	Senior Vice-President, Utilities of the Company and Chairman of the Board and President of N & C	189,400
ALL EXECUTIVE OFFICERS AS A GROUP including the 5 officers named above (15 persons)		$2,095,466

The Company has a Performance Bonus Plan which provides cash bonuses to designated employees of the Company and its subsidiaries related to annual salary in recognition of attainment of financial and other performance objectives. The plan is administered by the Board on the recommendation of the Compensation Committee. The tables above include the bonuses earned in 1982 and paid in 1983. It is expected that bonuses relating to performance in 1983 will be paid in 1984.

The Company has a pension plan available to salaried employees. The amount of pension benefits payable under the plan is dependent upon, among other factors, years of credited service, salary and bonus, if any (which corresponds to the amounts shown in the preceding table), and whether the individual participates as a contributory member. The normal form of pension is paid to the member during his (or her) lifetime with a 50% continuation to the surviving spouse. The current service costs to the Company and its subsidiaries in respect of 1983 of the benefits proposed to be paid upon normal retirement at age 65 under the Company's pension plan to the five individuals named in the cash compensation table and others were: Mr. Barkwell, $12,772; Mr. Battle, $19,955; Mr. Cochrane, $8,050; Mr. Hennenfent, $8,127; Mr. Leroux, $10,563; all directors and officers as a group, including those named, $141,644. The years of credited service for Messrs. Barkwell, Battle, Cochrane, Hennenfent and Leroux are 18, 18, 9-2/3, 16-1/2 and 26-2/3, respectively. The Plan provides for early retirement at age 62 without actuarial reduction and as early as 55 with actuarial reduction. The following table shows the estimated annual pension benefits payable upon retirement at age 65 to officers and other employees in specified remuneration and years of credited service classifications (exclusive of government pension benefits which are currently payable to a maximum of approximately $7,815 per annum).

Average annual pensionable earnings for best 5 years of credited service	Pension Benefits Years of credited service 15		25		35	
	Non-contributory	Contributory	Non-contributory	Contributory	Non-contributory	Contributory
$100,000	$16,100	$24,400	$26,900	$40,600	$37,600	$56,900
150,000	25,100	25,700(1)	41,900	42,900(1)	58,600	60,000(1)
160,000	25,700(1)	25,700(1)	42,900(1)	42,900(1)	60,000(1)	60,000(1)

(1) *The pensions shown at these levels of earnings are the maximum currently permitted by the Department of National Revenue for the years of credited service indicated.*

The Company has retiring allowance agreements with certain senior officers of the Company or its subsidiaries including the five individuals named in the cash compensation table. Pursuant to these agreements, the participating officers will upon retirement receive an annual retiring allowance that equals (i) 60% of the average of the best three years' earnings of the last five years' earnings (inclusive of any bonuses), less (ii) pension benefits as defined in the agreements. These payments will continue until the death of the officer and thereafter will be paid at a lesser rate to a surviving spouse. The following table shows the estimated allowances payable upon retirement at age 65 to such officers on the basis of specified remuneration and years of credited service classifications.

Average of best three years' earnings	Retiring allowance (calculated using a pension deduction based on the following years of credited service as a contributory member) 15 years	25 years	35 years
$150,000	$ 64,300	$ 47,100	$ 30,000
250,000	124,300	107,100	90,000
350,000	184,300	167,100	150,000
420,000	226,300	209,100	192,000

Mr. Bovey, a director and former officer of the Company, who retired in 1981, is receiving a retiring allowance at an annual rate of $100,484 pursuant to a retiring allowance agreement as described above. Another former director and officer of the Company, Mr. Galvin, had an agreement whereby he was to act as a consultant to the Company or its subsidiaries for 1983. In consideration therefor such former officer received consulting fees of $19,500 until his retirement from the Board in April. Both of these amounts are reflected in the remuneration table on page 8. Mr. P. C. Finlay and Mr. Ross, directors of the Company, have agreements with Labrador Mining, Hollinger Argus and Hollinger North Shore Exploration Inc. (a wholly owned subsidiary of the Company) whereby on retirement they will receive a total of $150,000 per annum and $76,000 per annum respectively during their lifetime with 50% of such amounts paid for life to their respective surviving spouses.

The Company has an Incentive Stock Option Plan for full time employees. The Plan is administered by the Board on the recommendation of the Compensation Committee. Options granted are for a five year term and are exercisable as to 25% after one year, as to 50% after two years, as to 75% after three years and fully exercisable after four years. All options of the Company are "market

growth options", which means that, upon the exercise of an option, the holder receives, without further consideration, such number of shares as equals the quotient obtained by dividing (a) the amount obtained by multiplying the number of shares with respect to which the option is exercised, by the difference between the market price of such share on the date the option is exercised and the exercise price, by (b) the market price of such share on the date the option is exercised. Options in respect of Common Shares granted prior to the Capital Change will be exercisable into Voting Ordinary and Non-Voting Ordinary Shares. On December 13, 1983 options in respect of 105,000 Non-Voting Ordinary Shares at an exercise price of $15.6875 were issued to 24 employees including options in respect of 3,000 of such shares to one officer of the Company (the Toronto Stock Exchange high and low prices for the Company's Non-Voting Ordinary Shares in the fourth quarter of 1983 were $18.25 and $14.75 respectively). The next table sets forth for each person named and executive officers as a group the options which have been exercised since January 1, 1983 and the net value realized upon such exercise.

	B.D. Cochrane	W.C. Hennenfent	J.J. Leroux	All executive officers as a group including the executive officers named
Options exercised since January 1, 1983				
Exercise Price $22.375 / 30.125	2,000	8,000	16,000	54,000(1) 2,500(2)
Net value realized (market value x number of shares acquired)	$28,093	$85,725	$252,459	$759,538

(1) *Of these 9,000 were exercised in the second quarter of 1983 and 30,000 were exercised in the third quarter of 1983 when the Toronto Stock Exchange high and low prices for the Company's Common Shares were $37.25 and $29.625; and $41.00 and $35.250 respectively. In addition, 15,000 of these options were exercised during the first quarter of 1984 when the Toronto Stock Exchange high and low for Voting Ordinary Shares and Non-Voting Ordinary Shares (up to Feb. 10) were $17.875 and $16.00; and $16.625 and $14.625 respectively.*

(2) *Exercised during the third quarter of 1983.*

(3) *In addition, one other officer exercised 1,250 of the $22.375 options in the first quarter of 1983 when the Toronto Stock Exchange high and low prices for the Company's Common Shares was $33.00 and $28.125 respectively and 625 of the $22.375 options in the third quarter of 1983.*

The Company maintains directors' and officers' liability insurance with a policy limit of $20,000,000 aggregate per policy year. Under this insurance coverage, the Company would be reimbursed for indemnity payments made on behalf of its directors and officers subject to a deductible of $50,000 per occurrence. Individual directors and officers would also be reimbursed for losses arising during the performance of their duties for which they are not indemnified by the Company subject to an individual deductible of $5,000 and an aggregate deductible of $10,000. The total premium paid by the Company for directors' and officers' liability insurance in respect of 1983 was $21,000.

The Company has made interest-free mortgage loans to 6 officers (one of whom has since left the employment of the Company) to assist them in financing the purchase of residential property in connection with their transfer from one city to another. These loans are repayable over a period of ten years. The following indicates with respect to each officer who has received such a loan the highest amount of the loan outstanding during 1983 and the amount outstanding on February 23, 1984: Mr. Battle, $88,000 and $81,417, respectively; Mr. B. D. Cochrane, $18,958 and $16,250, respectively; Mr. K. L. Colby, Vice-President, Corporate Affairs, $46,292 and $43,500, respectively; Mr. Hennenfent, $60,172 and $54,974, respectively; Mr. Peter Kaye, former Vice-President, Exploration, $10,712 and nil, respectively; and Mr. G. B. Singer, Vice-President, Accounting and Services, $38,360 and $35,910, respectively. Imputed interest on these mortgage loans of the 6 individuals who were officers during 1983, which has been calculated at the conventional first mortgage rate for a five-year term charged by a Canadian chartered bank at the date of the particular loan, has been included under "Personal benefits" in the table on page 8.

The Company has an Employee Stock Purchase Plan which authorizes the Directors to designate salaried employees and/or officers of the Company employed on a full time basis, to be eligible to obtain loans for such amounts as may be determined by the Directors, to be used for the sole purpose of acquiring newly issued shares of the Company. The only shares issued to date were in 1981 when the Company made interest-free loans amounting to $1,155,838 to purchase a total of 38,384 Common Shares at a price of $30.1125 per share (being the market value, as defined in the plan, at the time the loans were made). The loans are repayable through payroll deductions over seven years and the Company will pay to each employee in years 6 and 7 a

bonus equal to the amount of repayment required in those years, which in the aggregate constitutes 40% of the purchase price of the shares. Since January 1, 1983 the largest outstanding loan balance has been $919,789 from 83 employees including 6 officers. Currently, there are loans outstanding to 48 employees totalling $455,676 (19,207 Voting Ordinary and Non-Voting Ordinary shares) including 3 officers totalling $40,138 (1,692 Voting Ordinary and Non-Voting Ordinary shares). The following indicates, for officers with such loans in excess of $10,000, the highest amounts of the loans outstanding since January 1, 1983 and the amounts outstanding as of the date hereof: Mr. Colby (697 Voting Ordinary and Non-Voting Ordinary shares) $19,239 and nil respectively; Mr. A. S. G. Duguid, Treasurer (612 Voting Ordinary and Non-Voting Ordinary shares), $16,893 and $ nil respectively; Mr. W. M. Newhouse, Vice-President, Production (650 Voting Ordinary and Non-Voting Ordinary shares) $17,942 and $15,414 respectively and Mr. Singer (688 Voting Ordinary and Non-Voting Ordinary shares), $18,991 and $16,329 respectively.

The Company has the Preference Share Incentive Plan which authorizes the directors to create, one or more series of the Junior Preference Shares and to grant the right to purchase specified numbers of such shares to designated salaried employees and/or officers employed on a full time basis with the Company. The participants are provided a loan for the purchase price of the preference shares which are issued at $50.00 per share and have a term of eight years after which they are automatically redeemed for issue price. The preference shares contain a conversion feature which can be exercised as to 25% of the number of preference shares acquired after the first anniversary of the date of acquisition, as to 50% after the second anniversary, as to 75% after the third anniversary and as to 100% after the fourth anniversary. The conversion price is the average of the prices at which the shares, into which the Preference Shares are convertible, were trading on the Toronto Stock Exchange on the ten consecutive trading days ending on the third day preceding the grant of the right to purchase Preference Shares. To date there have been two series of grants under this Plan. The first was in 1981 when 97,862 Convertible Junior Preference Shares, 1981 Series were issued. These are convertible into Voting Ordinary and Non-Voting Ordinary Shares at a combined conversion price of $30.1125. Pursuant to the second grant, 113,300 Convertible Junior Preference Shares, Series B were issued in February of 1984. These shares are convertible into Non-Voting Ordinary Shares at a conversion price of $15.66875. The loans provided for the two series of grants under the Plan to date are interest free. The largest amount of loans outstanding under the Plan since January 1, 1983 and the amount currently outstanding is $9,955,850, representing 85,817 Junior Preference Shares, 1981 Series and 113,300 Junior Preference Shares, Series B. The following indicates respectively the number of Junior Preference Shares, 1981 Series, Junior Preference Shares, Series B and the outstanding amount of loans with respect to such shares for the indicated officers: Mr. C. M. Black, 16,000 shares (Series B only), $800,000; Mr. Battle, 16,562 shares, 15,700 shares, $1,613,100; Mr. Barkwell, 12,045 shares, 10,000 shares, $1,102,250; Mr. Leroux, 9,033 shares, 7,500 shares, $826,650; Mr. Cochrane, 7,227 shares, 6,700 shares, $696,350; Mr. Palmer (Senior Vice-President, Administration and Comptroller), 6,022 shares, 6,700 shares, $636,100; Mr. Colby, 4,000 shares (Series B only), $200,000; Mr. Hennenfent, 6,022 shares, 6,700 shares, $636,100; Mr. Kilbourne (Vice-President, Legal and Secretary), 6,022 shares, 5,000 shares, $551,100; Mr. Loucks (Vice-President), 6,022 shares, 5,000 shares, $551,100; Mr. Newhouse, 6,000 shares, (Series B only), $300,000; Mr. Ross (Vice-President, Minerals), 5,000 shares (Series B only), $250,000; Mr. Sheeres (Vice-President, Finance), 6,022 shares, 5,000 shares, $551,100; Mr. Singer, 4,000 shares (Series B only), $200,000; Mr. Wood (Vice-President, Heavy Oil), 6,022 shares 5,000 shares, $551,100. One other employee has 4,818 Junior Preference Shares, 1981 Series, 5,000 Junior Preference Shares, Series B and loans with respect to such shares totalling $490,900.

The Company has a plan known as the Employee Savings and Investment Plan which is available to all salaried employees of the Company and its subsidiaries. Under the Plan, a participating employee may make contributions of 2%, 4% or 6% of his salary, and the Company makes contributions at the rate of 50%, 75% or 100% of such employee's contributions according to length of service. Employee contributions can be made to a number of investment vehicles whereas the Company contributions are utilized to purchase newly issued shares of the Company (at market prices) for participating employees. In 1983 the Company contributed under the Plan $102,745 for all directors and officers as a group (17 persons) and $1,685,357 for all other employees as a group (1,296 persons) including $18,250 for Mr. Battle, $11,686 for Mr. Barkwell, $9,750 for Mr. Leroux and $7,453 for Mr. Hennenfent, and $84,377 for all executive officers as a group.

Mr. Bassett, Mr. C. M. Black and Mr. Bovey are directors of the Canadian Imperial Bank of Commerce. During 1983 the highest amount that the Company and its subsidiaries were indebted to that bank was in the amount of $169,831,000.

On July 28, 1983 the Company acquired, through a series of transactions, substantially all of the natural resource and related assets of Hollinger Argus and Labrador Mining except its 36% interest in the Company which was, in effect, transferred to Labmin, a company newly incorporated for the purpose of the transaction. Prior to the acquisition by the Company, all of the shareholders of Labrador Mining exchanged their common shares for an equal number of common shares of Labmin.

The principal assets acquired by the Company were a 10.47% common share interest in Iron Ore Company of Canada ("IOC"), a royalty interest in lands being mined by IOC, 60% of the common shares of Hollinger North Shore Exploration, Inc., a gold mining royalty and a note payable by Brascan Limited. The consideration paid by the Company was

cash of $9,223,000 and the assumption of debt of Labrador Mining of $315,046,000. The transaction amounts for the assets acquired were based on asset values as determined by a group of three independent valuators.

In August, 1983 Hollinger Argus made a cash offer to the shareholders of Labmin to acquire their Labmin shares at U.S. $38.55 per share or the Canadian dollar equivalent. The Company sold to Hollinger Argus its 800,000 shares which it had acquired from Hanna Mining in July 1982 at U.S. $38.55 per share.

The Company and its subsidiaries make monthly payments to Argus Corporation in respect of administrative expenses incurred by Argus Corporation on behalf of the Company and its subsidiaries. In 1983 such payments totalled $131,000 while in 1984 it is expected such payments will amount to $194,000. See footnote 1 on page 2 for a description of the corporate relationships.

SEC Consent Decree. On July 1, 1982 the Company and Mr. C. M. Black were named as defendants in an action commenced by the United States Securities and Exchange Commission ("SEC"). On the same day, the defendants without admitting any of the SEC's allegations and without any adjudication of fact or law, agreed to settle the action by entering into a consent decree enjoining them from future violations of Sections 10(b), 13(d) and 14(e) of the Securities Exchange Act of 1934 and Rules 10b-5, 13d-1 and 13d-2 thereunder. The SEC had alleged that the defendants had made misleading statements and failed to make required filings as to the purpose for which the Company (i) acquired approximately 8.8% of the outstanding shares of Hanna Mining and (ii) thereafter announced a proposed tender offer for an additional 42.7% of the outstanding shares. It is the belief of the Company that neither it nor any of its officers or directors violated any United States Federal securities laws in connection with this matter.

Appointment of auditors

The persons named in the enclosed form of proxy intend to vote for the appointment of Thorne Riddell, Chartered Accountants, as auditors of the Company to hold office until the next annual meeting of shareholders, unless the shareholder signing the form of proxy specifies that the form of proxy not be voted on such appointment or that it be voted against such appointment. Thorne Riddell were the auditors of the predecessors of the Company and were appointed auditors of the Company upon its formation in 1975.

Representatives of Thorne Riddell are expected to be present at the Meeting with the opportunity to make a statement if they desire to do so and to respond to any appropriate questions.

10-K Report and shareholder proposals

Upon written request by any shareholder to the Secretary of the Company, the Company will provide without charge a copy of the Company's 1983 Annual Report on Form 10-K filed with the SEC pursuant to the provisions of the United State Securities Exchange Act of 1934.

Shareholder proposals for inclusion in the proxy circular and statement and form of proxy relating to the 1985 annual meeting must be received at the offices of the Company at 4600 Toronto-Dominion Centre, Toronto, Ontario M5K 1E5 on or before January 19, 1985.

Board approval

The Board of Directors has approved in substance the contents of this Proxy Circular and Statement and the sending of this Proxy Circular and Statement to shareholders.

February 23, 1984

W.T. KILBOURNE
Secretary

Financial	1984	1983	% change
	(millions of dollars)		
Sales and other revenues	**$ 570.2**	$452.6	+26%
Funds from operations	**$ 214.5**	$181.9	+18%
Income applicable to ordinary shares	**$ 92.6**	$ 76.2	+22%
Capital expenditures	**$ 241.0**	$190.8	+26%
	(dollars)		
Per ordinary share			
Earnings	**$ 1.65**	$ 1.39	+19%
Dividends	**$ 0.50**	$ 0.50	
Market price			
High	**$ 20.00**	$20.50	
Low	**$ 13.63**	$14.06	
Close			
Voting	**$ 15.50**	$17.13	
Non-voting	**$ 14.00**	$16.13	
	(millions)		
Ordinary shares			
Average number outstanding	**56.2**	54.7	
Volume of trading	**7.3**	11.7	

Operating			
Oil and gas production	(thousands of barrels per day)		
Oil and gas liquids	**34.7**	30.9	+12%
	(millions of cubic feet per day)		
Natural gas	**130.7**	119.3	+10%
Net wells drilled	**126**	137	
Oil and gas reserves	(millions of barrels)		
Oil and gas liquids	**115.8**	117.5	− 1%
	(billions of cubic feet)		
Natural gas	**1,086.0**	1,103.0	− 2%

1984 in review
Norcen achieved record financial results in 1984 due primarily to further increases in rates of production of oil and gas liquids coupled with moderately higher wellhead prices. Production of natural gas, which had been declining in recent years due to lower export demand, recorded an increase as the result of higher demand in Canada.

Norcen's propane marketing, industrial gas system, and oil pipeline operations continued to make an increasingly significant contribution to the oil and gas division's financial strength.

Exploration activity in Western Canada was maintained with the objective of replacing current production and augmenting established reserves. In Canada's frontier areas Norcen has fulfilled most of its farmin commitments and has established a land position broad enough to ensure participation in any further exploration successes. Exploration activity in the U.S. Gulf Coast states, commenced in mid-1983, and has resulted in immediate revenue gains.

High hopes for further exploration success off the northwest coast of Australia dimmed somewhat with the drilling of a number of dry holes earlier in the year, but were renewed in the fall with the drilling of a second oil discovery. Production from the first discovery is planned for early 1986.

The mineral resources division performed well, despite a difficult environment. Cost reductions and productivity improvements implemented by Iron Ore Company of Canada led to satisfactory financial results, while The Hanna Mining Company achieved a significant financial turnaround.

Early in 1985 Norcen sold its gas utilities operations in Ontario, Manitoba and Quebec for a favourable price. While the gas utilities had provided Norcen with a measure of financial stability in recent years, the potential investment opportunities are considered to be more attractive in the less regulated upstream segment of the natural resource sector.

Oil and gas perspective
Largely through exploration and development activity, Norcen has increased its production of oil and gas liquids from 24,900 barrels per day in 1981 to 34,700 barrels per day in 1984. Although looking forward to further production gains in 1985, repeating the performance of the past several years in Western Canada over the next three to four years represents a major challenge.

Future production gains will be expensive, as most of these will have to come from enhanced recovery of existing reserves of conventional and heavy crude oil and from new discoveries in the more remote areas of the western sedimentary basin.

Norcen's natural gas production has suffered from the same market-related problems experienced by virtually all producers in Western Canada. The federal government has now adopted a more market-sensitive approach to export pricing and this should allow increased gas production as export demand improves.

Two roughnecks stack drill pipe while a drill bit is being changed.

Norcen's natural gas production in 1984 averaged 130.7 million cubic feet per day; however, production capability is at least 50 per cent higher than this level.

The changing environment: Norcen strategy

The oil and gas industry in Canada is facing a period of considerable change. It is likely that both crude oil and natural gas commodity prices will soon be deregulated, as governments step back and allow market forces to set prices and volumes.

At least for the next year or two, no significant increases in the prices of oil and natural gas can be expected. It seems likely that the costs of producing and replacing reserves will rise at a faster rate than prices. Given this environment, Norcen believes that it will be essential to have both operating and financial flexibility to take advantage of investment opportunities.

Operating flexibility will come from Norcen's exposure to major energy resource projects — whether in Western Canada, in Canada's frontiers or outside Canada. Financial flexibility comes from Norcen's strong balance sheet, secure and growing cash flow, and proven ability to raise new debt and equity capital.

Outlook

Since 1981, when Norcen's net income was dramatically cut by the effects of the National Energy Program, the Company has recovered steadily to reach this year's record financial performance. In that time, Norcen has invested $1.3 billion to increase production levels in Western Canada, to diversify into the mineral resources sector and to increase both income from and exposure to investments outside Canada.

Given the current environment of commodity surpluses and rising costs, Norcen believes reductions in royalty and taxation levels are pre-requisites to further increases in investment levels in the domestic oil and gas sector. The federal and provincial governments are likely to take action in this regard in the near future. Norcen expects the result to be a transfer of both risk and reward to the industry.

The Company is well positioned to make the most of this new environment, with a strong balance sheet and profitable operating base. Participation in carefully selected exploration and development plays in Canada, in the United States and Australia will, in the future, allow Norcen to maintain and improve its income levels. However, to continue its record of strong growth through the next decade, Norcen must look to either a major resource project or some other significant investment.

On behalf of the Board

Conrad M. Black
Chairman

Edward G. Battle
President and
Chief Executive
Officer

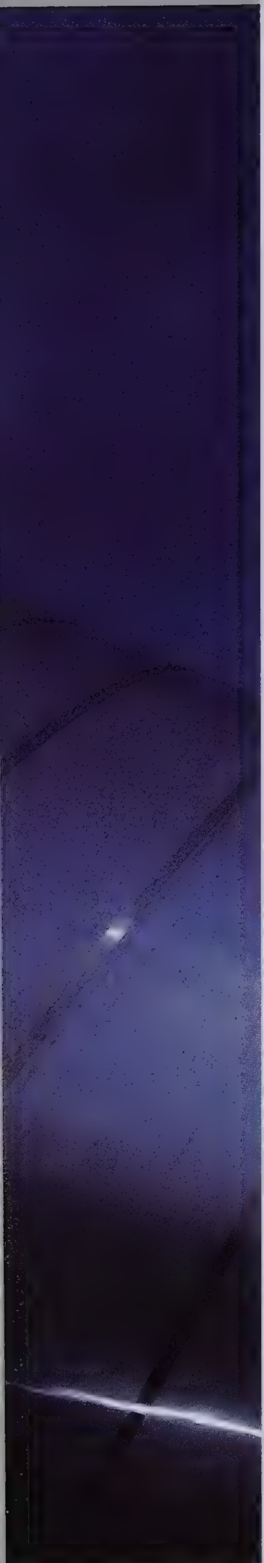
February 19, 1985

At the Hanna dock in Cleveland, railroad cars are loaded with iron ore pellets for transportation to customers in the U.S.

Oil and gas

Record liquids production, improvements in natural gas production and moderate price increases, were responsible for 1984's performance.

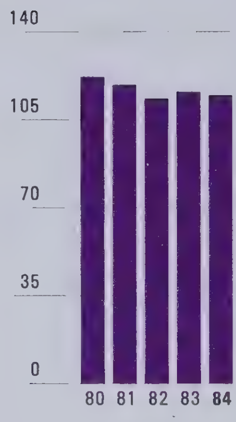
Norcen personnel supervise start up of the Company's new gas liquids extraction plant in Fort Saskatchewan.



Oil and gas

Oil and gas liquids reserves
(millions of barrels)

Reserve additions nearly equalled current production.



Natural gas reserves
(billions of cubic feet)

Natural gas reserves continue to reflect the lower priority given to natural gas exploration.

Norcen's oil and gas operations in 1984 achieved all time high levels of revenue, cash flow and operating income. This strong performance was due mainly to record liquids production levels, moderately higher wellhead prices and effective control of operating costs.

A total of $244 million was spent in 1984 on exploration and development activities in Western Canada, the Canadian frontier, the United States and Australia. These activities maintained established oil reserves at about the same levels as at the end of 1983, thereby all but replacing 1984 production volumes.

Exploration and development

Western Canada

In 1984, capital expenditures for oil and gas activities in Western Canada, before receipt of petroleum incentive payments, were $111.9 million, compared with $109 million the year before. Of this amount, $63.1 million was spent on conventional oil and gas exploration; $37.3 million on maintaining production from existing oil and gas fields and developing reserves not previously connected to market and $11.5 million on exploration and development in heavy oil areas. In 1985, capital expenditures in Western Canada, before receipt of petroleum incentive payments, are expected to be $124.4 million.

The Western Canadian Sedimentary Basin is the prime focus of Norcen's oil and gas exploration and development. The Company is one of the largest acreage holders in the area and during 1984 approximately 95,000 net acres of new leases and licenses were acquired.

Oil

The year's drilling program concentrated on oil prospects. While exploration successes in recent years have been mainly discoveries of small to medium-sized pools, the aggregate additions to new production and reserves have been significant. At the same time, Norcen continues to look for exposure to high-risk, high-reward opportunities which, if successful, would have a major impact on the Company.

One of the main areas of activity is northern Alberta where Norcen had exploration successes at Gift, Spirit River, Gilwood/Triangle, Kitty and Ogston.

Gift: During 1984, Norcen participated in four oil discoveries. One of the discoveries, in which Norcen has a 50 per cent interest, is a five-year, royalty-free well producing 75 barrels per day. Norcen has a 75 per cent interest in a second discovery which is producing 100 barrels per day. The other two discoveries were completed late in 1984 and are undergoing production tests.

Spirit River: Norcen participated in the drilling of three oil wells, bringing the number of producing wells in which the Company has an interest, to eight. During 1985, the implementation of a waterflood project should more than double Norcen's share of production which is currently 225 barrels per day.

Gilwood/Triangle: Norcen's interest in this area varies between 50 and 55 per cent. In 1984 the Company drilled three oil discoveries currently producing a total of 250 barrels per day. Approximately 90 barrels per day are royalty-free for a five-year period. Further exploratory drilling is anticipated for 1985.

Kitty: In 1984, Norcen participated in a third Slave Point well bringing its share of production to 150 barrels per day. Two additional development wells are planned for 1985.

Ogston: Norcen successfully completed five Granite Wash oil wells in which it has a 50 per cent interest. The Company's share of production from these wells is 340 barrels per day. Further drilling is planned for the early part of 1985.

Norcen was also successful in developing oil production in areas of central Alberta and in Saskatchewan.

Harmattan: Norcen participated in drilling eight wells increasing the total number of Viking zone oil wells in which it has an interest to 26. Norcen's share of production from these wells is 425 barrels per day. Its interest in the wells varies from 26 to 67 per cent.

Wildmere: Norcen participated in nine development wells in which it has a 50 per cent interest. This activity added 95 barrels per day to Norcen's share of production and extended the Lloydminster sand heavy oil reservoir. In the same general area, an exploratory step-out well, in which Norcen has a 50 per cent interest, resulted in the discovery of oil in the same zone.

Tatagwa/Colgate: Norcen completed its development program with the drilling of three oil wells. Norcen's interests range from 72 to 100 per cent in 17 wells. Production is approximately 1,300 barrels per day.

Hearts Hill: Four wells were drilled in 1984 and two wells were drilled in early 1985 to develop the Bakken heavy oil discovery made in 1983. There are now 15 wells in the field where Norcen's interest is 50 per cent.

As a result of the continued weak demand for natural gas in 1984 and Norcen's production capability being considerably higher than present production levels, exploration activity for natural gas was conducted at a relatively low level. However, there were two areas of activity.

McLeod River, west-central Alberta: Norcen participated in the drilling of a Cardium gas discovery. The well, in which Norcen has a 76.7 per cent interest, is capable of producing 2 million cubic feet per day and will be placed on production in early 1985.

Sikanni, northeastern British Columbia: The Company participated in a Mississippian gas discovery in which Norcen's interest is 20 per cent. The Company plans to drill a similar structure in the area in 1985.

Canadian frontier

Norcen views the Canada lands as having long term potential and in 1984 continued the strategy of increasing the breadth of its interests in both the Beaufort Sea and the East Coast offshore. Norcen is now nearing completion of farmin agreements which will provide the Company with interests ranging from 4.7 per cent to 18.0 per cent in nearly 2 million acres.

Liquid hydrocarbons production increased 12.3 per cent over 1983 to achieve record level of 34,690 barrels per day.

In Australia, the Jabiru discovery enters the development phase.

Another oil discovery was made offshore Australia at the Challis #1 well.

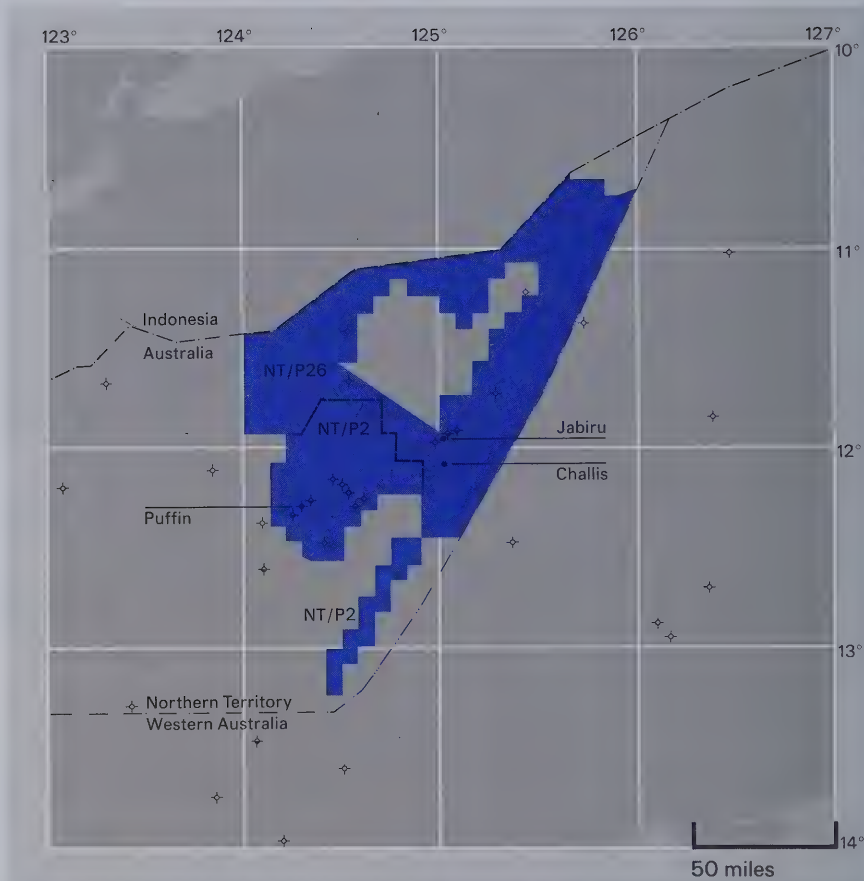
A gas liquids extraction facility was completed at Fort Saskatchewan, Alberta.

U.S. exploration programs successful on the Gulf Coast.

Maps legend
- Norcen land interests
- Location/Drilling
- Abandoned well
- Oil well
- Oil show
- Gas well
- Water disposal well
- Oil pool
- Gas pool
- Proposed oil pipeline
- Proposed gas pipeline
- Proposed battery and plant site

Offshore northwest Australia
An encouraging discovery was made at the Challis #1 well which produced oil at rates up to 6,744 barrels per day during drill stem tests.

Australia

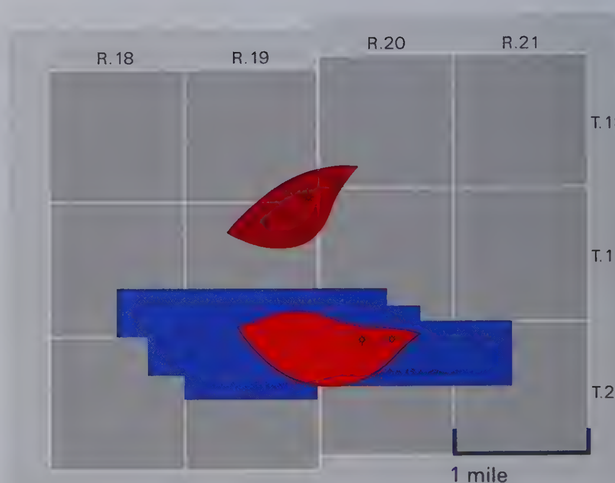


Offshore northwest Australia ▼

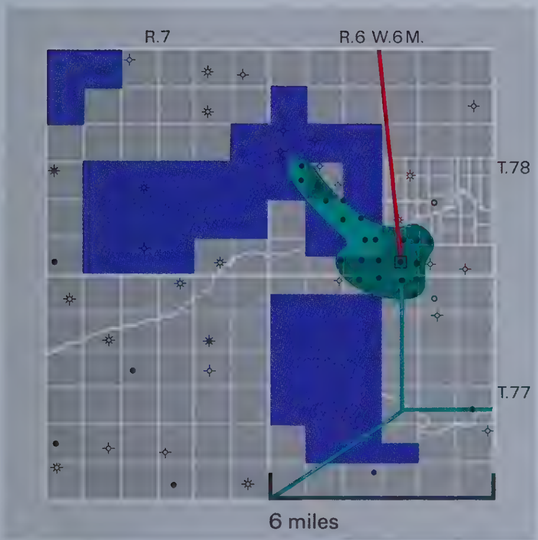
South Grand Bois
A significant natural gas/condensate discovery was placed on stream in January, 1985, at a rate of 10 million cubic feet per day plus 200 barrels per day of condensate. Further drilling is planned for this coming year to develop additional deliverability from this multi-zone producing feature.

United States

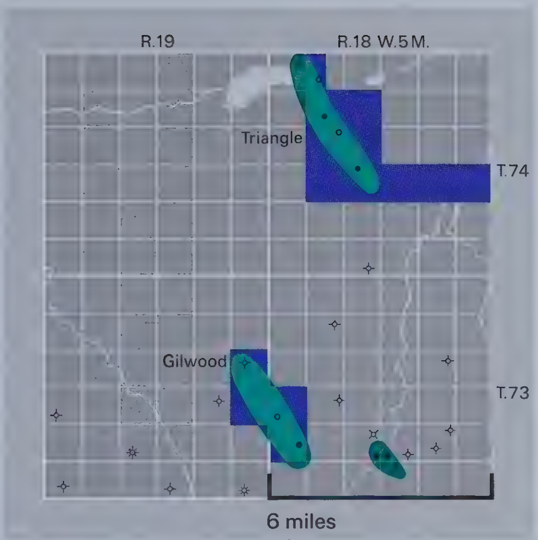
Discovery and development wells ■
Texas/Louisiana
Gulf Coast



South Grand Bois discovery ■
Louisiana



Gift ■
Alberta

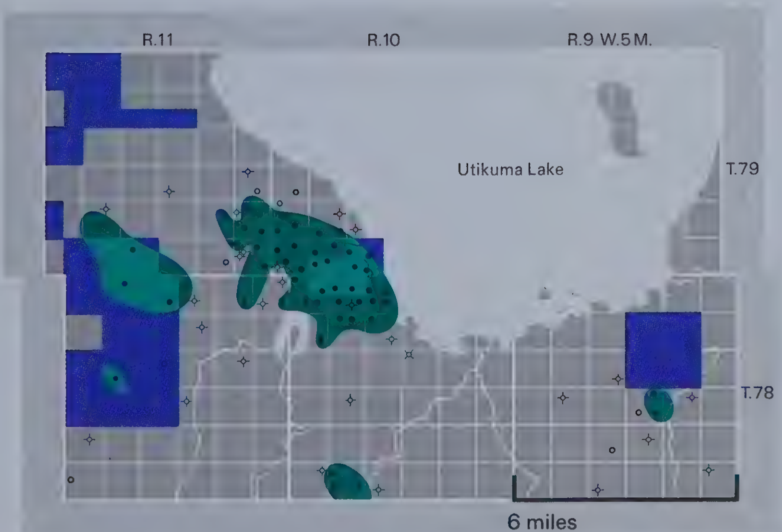


Gilwood/Triangle ▼
Alberta

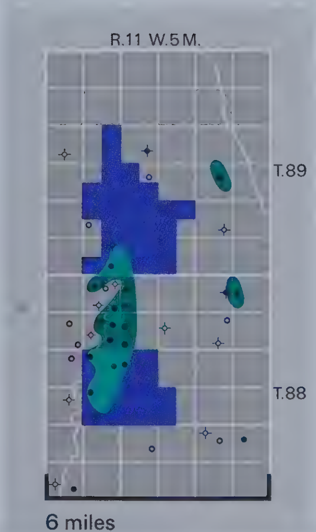
Gift
During 1984, Norcen participated in four oil discoveries. One of the discoveries, in which Norcen has a 50 per cent interest, is a five-year, royalty-free well producing 75 barrels per day.

Gilwood/Triangle
In 1984, the Company drilled three oil discoveries currently producing a total of 250 barrels per day.

Alberta



Spirit River ▲
Alberta



Ogston ●
Alberta

Spirit River
Norcen participated in the drilling of three oil wells bringing the number of producing wells in which the Company has an interest to eight.

Ogston
Norcen successfully completed five Granite Wash oil wells in which it has a 50 per cent interest. The Company's share of production from these wells is 340 barrels per day.

Monitoring operations at the new gas liquids extraction plant in Fort Saskatchewan.

Storage tank at Norcen's heavy oil field in Bodo, Alberta.

Beaufort Sea

With the drilling of a fifth exploratory well in 1985, Norcen will have earned interests varying from 10.8 per cent to 18 per cent in 433,000 acres.

Norcen participated in the drilling of three wells: Pitsiulak, Amauligak and Akpak.

The Pitsiulak A-05 well, where Norcen's interest is 18 per cent, tested crude oil at an average rate of 1,913 barrels per day.

The Amauligak J-44 well, where Norcen's interest is 15 per cent, tested crude oil at a rate of 5,173 barrels per day and flowed gas at rates varying between 9.9 and 33.7 million cubic feet per day. Delineation drilling is scheduled for 1985.

The Akpak P-35 well, where Norcen's interest is 18 per cent, ceased drilling in November, 1984, and is scheduled for completion in 1985.

East Coast

In the Grand Banks area offshore Newfoundland, Norcen is participating in an exploration program involving seven commitment wells to earn interests varying from 4.6875 per cent to 9.375 per cent in 1.5 million acres.

The first well, Trave E-87, was abandoned in early 1984 after discovering small quantities of gas and condensate. The subsequent two wells, Voyager J-18 and Archer J-18, were also abandoned.

In late 1984, the Whiterose N-22 well was abandoned after testing 21.1 million cubic feet of gas per day and an uneconomic quantity of oil. The Conquest K-09 and Panther P-52 wells are currently drilling. The seventh well will be drilled in 1985.

Norcen also has the option to participate in up to seven additional wells to earn a 9.375 per cent interest in additional acreage. The first of these wells, North Ben Nevis P-93, commenced drilling in December, 1984.

Norcen is also earning a 12.5 per cent interest in nearly 4,800,000 acres on the Nova Scotia Slope, by paying 25 per cent of the costs of three wells. Also on the Scotia Slope, Norcen farmed out the drilling of the Albatross B-13 well to Petro-Canada.

International

Australia

Following a decision to commence production at Jabiru and exploration success at the Challis #1 well, Norcen announced plans to open an Australian office in 1985.

Plans are in progress to install a production system at Jabiru-1A, the discovery well drilled in 1983, and the first production from this well is expected to average 13,000 barrels per day during 1986.

The three delineation wells drilled on the Jabiru structure were abandoned as were three other wells also drilled in the area.

However, an encouraging discovery was made at Challis #1, located approximately 12 miles south of the Jabiru discovery. The Challis well produced oil at rates up to 6,744 barrels per day during drill stem tests.

Both Jabiru-1A and Challis #1 are located on a 3.7 million acre permit, NT/P26, in which Norcen has a 12.5 per cent interest. Norcen also has a 4.4 to 5 per cent interest in the adjacent 1.4 million acre permit, NT/P2. During 1985, seismic surveys will be carried out to be followed by further delineation and exploratory drilling.

United States

During 1984 Norcen shifted the emphasis of its U.S. exploration from Denver to Houston. Through a Houston-based independent operator, activities will be concentrated in the Gulf Coast region.

The areas of principal interest and activity are:

Alabama: Norcen has a six per cent interest in 10,277 acres in Escambia County, which lies adjacent to the prolific Jay Field. To date, the Company has participated in four deep (15,500 feet) exploratory wells along this trend, resulting in two oil discoveries.

Louisiana: A significant natural gas/condensate discovery was made in LaFourche Parish, on the South Grand Bois prospect where Norcen has a 70 per cent


Cigas personnel convert a motor vehicle from gasoline to propane motor fuel at a Cigas conversion centre in Calgary, Alberta.

working interest in 1,370 acres of petroleum and natural gas leases. Production facilities have been installed and the discovery well and a delineation well were placed on stream in January, 1985, at a rate of 10 million cubic feet per day plus 200 barrels per day of condensate. Further drilling is planned for this coming year to develop additional deliverability from this multi-zone producing feature.

Texas: Norcen's drilling activity in 1983 and 1984 resulted in oil discoveries on the Neches River prospect in Jasper County, the Block 30/L prospect offshore Jefferson County and East Shamrock Cove. Gas discoveries have been made on seven prospects with the most significant being Mauricio, Duval County, and Shamrock Cove, Nueces County.

Wyoming: Oil was discovered in the Minnelusa formation on the Bitter Creek prospect in northern Wyoming. The discovery well is currently producing 200 barrels of oil per day. Three follow-up wells will be drilled in 1985.

Production

Liquid hydrocarbons

1984 was another record year for liquid hydrocarbons production. Average daily production, before royalties, of crude oil, synthetic crude, and gas liquids (which include natural gas liquids volumes extracted at Norcen's processing plants at Fort Saskatchewan and Empress) was 34,690 barrels, an increase of 12.3 per cent over 1983. Higher production from West Pembina, Colgate, Tatagwa, Spirit River, Harmattan East, Taber North, and Gift, more than offset the decline in production from Norcen's older fields.

In West Pembina, as a result of changing the Nisku 'C' pool from a waterflood to a miscible enhanced recovery project, Norcen was able to increase production by 500 barrels per day, to 2,450 barrels per day.

Norcen owns a 25 per cent undivided interest in a bituminous sands lease covering 4,522 acres near Fort McMurray, Alberta. Revenue is derived from a royalty on the sales of synthetic crude oil processed from the mineable sands on the lease. In 1984, total plant production averaged 46,450 barrels per day, compared with 47,400 barrels per day in 1983.

In January, 1985, the Alberta Court of Queen's Bench ruled against the Company with respect to its lawsuit against Suncor Inc., concerning Norcen's entitlement to royalties on certain revenues. The decision is being appealed. After payment of federal production taxes and giving effect to the court's decision, revenues were $24.3 million compared with $22.8 million the previous year.

Norcen's heavy oil production rose 420 barrels per day to reach 3,170 barrels per day – a 15 per cent increase over the previous year. The removal of well rate restrictions by the Alberta government has led to more efficient production practices.

The Company has entered into an agreement with the Alberta Oil Sands Technology and Research Authority to launch a second enhanced oil recovery project – an experimental steam injection facility scheduled for completion at Bodo, Alberta, by the end of 1985.

During 1984, a new gas liquids extraction plant went into operation at Fort Saskatchewan, Alberta. Norcen has a 100 per cent interest in the plant, which is designed to recover 1,500 barrels per day of natural gas liquids from a gas throughput of 30 million cubic feet per day. The natural gas liquids are sold under contract to a major oil producer for use in miscible flood projects.

Natural gas

Gas production, before royalties, averaged 130.7 million cubic feet per day compared with 119.3 million cubic feet in 1983.

Norcen experienced an overall increase in natural gas sales in 1984 due primarily to spot market sales in Alberta. The average wellhead price received was $2.79 per thousand cubic feet compared with $2.66 in 1983.

During 1984, the federal government announced a new policy allowing exporters of natural gas to negotiate contracts at competitive prices with their customers. This is expected to enable Canadian natural gas to be more competitive in the export market.

Construction of gas pipeline to tie-in gas from the Cherhill area, Alberta, to the Fort Saskatchewan gas liquids extraction plant.

Oil and gas land holdings

December 31, 1984	Leases		Permits, licences and exploration agreements		Total	
	Gross	Net	Gross	Net	Gross	Net
	(thousands of acres)					
Canada						
Alberta	4,562	1,687	370	225	4,932	1,912
British Columbia	1,098	226	8	2	1,106	228
Saskatchewan	234	116	13	8	247	124
Manitoba	96	38			96	38
Ontario	3	1			3	1
Canadian frontier						
Arctic			3,592	313	3,592	313
Beaufort Sea			2,051	236	2,051	236
Yukon			1,620	648	1,620	648
Northwest Territories			898	93	898	93
Offshore East Coast			7,501	726	7,501	726
Total Canada	5,993	2,068	16,053	2,251	22,046	4,319
International						
United States	836	219			836	219
Australia			5,065	527	5,065	527
Total	6,829	2,287	21,118	2,778	27,947	5,065

In addition to the above, overriding royalty interests are held in 1.9 million gross acres and net carried interests in 177,243 gross (10,854 net) acres.

1984 Drilling statistics

	Oil		Gas		Dry		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Western Canada								
Exploration								
Conventional	46	15.2	21	4.8	77	31.4	144	51.4
Heavy oil	11	6.0			16	10.0	27	16.0
	57	21.2	21	4.8	93	41.4	171	67.4
Development								
Conventional	71	19.4	11	4.6	11	4.6	93	28.6
Heavy oil	18	9.3			4	1.5	22	10.8
	89	28.7	11	4.6	15	6.1	115	39.4
Total Western Canada	146	49.9	32	9.4	108	47.5	286	106.8
Canadian frontier	2	.3			5	.7	7	1.0
Total Canada	148	50.2	32	9.4	113	48.2	293	107.8
International								
United States	13	2.5	9	3.0	42	11.6	64	17.1
Australia	1	.1			5	.5	6	.6
Total international	14	2.6	9	3.0	47	12.1	70	17.7
Total	162	52.8	41	12.4	160	60.3	363	125.5

Exploration well in the Texas/Louisiana Gulf Coast area.

Liquid hydrocarbons production

(barrels per day before royalties)	1984	1983
Alberta		
West Pembina	**6,325**	5,786
Pembina	**2,534**	2,656
Countess-Lathom	**2,340**	2,361
Harmattan	**2,051**	1,401
Provost-Bodo	**1,312**	1,043
Golden	**1,280**	1,208
Lloydminster	**1,122**	1,212
Joarcam	**732**	730
Bigoray	**575**	543
Evi	**510**	560
Others	**7,348**	6,071
Synthetic crude	**2,903**	2,961
Processing liquids	**907**	370
	29,939	26,902
Saskatchewan		
Tatagwa	**694**	447
Colgate	**566**	122
Weyburn	**352**	358
Royalty interest	**497**	483
Others	**905**	795
	3,014	2,205
British Columbia		
Eagle	**1,158**	1,195
Peejay	**228**	213
Others	**212**	235
	1,598	1,643
U.S.A.	**139**	130
Total	**34,690**	30,880

Natural gas production

(millions of cubic feet per day before royalties)	1984	1983
Alberta		
Harmattan	**17.7**	13.3
Minnehik-Buck Lake	**10.5**	12.2
Cherhill (Majeau Lake)	**8.1**	5.6
Boyer	**6.7**	6.5
Crossfield	**5.6**	5.6
Westlock	**5.5**	9.7
Ghost Pine	**4.4**	3.1
Verger	**3.8**	3.0
Bruce	**2.6**	2.4
Big Bend	**2.5**	1.9
Alexander	**2.5**	1.6
Others	**52.4**	47.1
	122.3	112.0
British Columbia		
Jedney-Bubbles-East Laprise	**1.2**	3.4
Royalty interest	**2.4**	
Others	**4.1**	3.3
	7.7	6.7
U.S.A.	**0.7**	0.6
Total	**130.7**	119.3

Reserves

Estimated reserves, before royalties, of crude oil, synthetic crude, and gas liquids, were 115.8 million barrels as of December 31, 1984, compared with 117.5 million barrels a year earlier. Estimated reserves of natural gas before royalties, were 1,086 billion cubic feet compared with 1,103 billion cubic feet at the end of 1983. These figures do not include Norcen's share of reserves of crude oil and natural gas in the Arctic, the Beaufort Sea, and oil sands reserves at Cold Lake, Alberta.

LPG marketing

Cigas Products Ltd., a wholly-owned subsidiary, is the second largest marketer of propane and butane in Western Canada and the third largest in all of Canada. Sales in 1984 were 65 million gallons compared with 60 million gallons in 1983.

Cigas is continuing to shift its marketing focus from home heating to motor fuel applications for propane. Motor fuel sales jumped 46 per cent during 1984 and now represent a major portion of Cigas' volumes. Approximately 2,500 motor vehicles were converted from gasoline to propane at Cigas' facilities in 1984.

Industrial gas system

Norcen owns and operates approximately 221 miles of pipeline and two processing plants serving industrial customers in the Edmonton area. Average daily throughput of the industrial gas system in 1984 was 45.9 million cubic feet per day, compared with 45.6 million cubic feet per day the year before.

Oil transmission systems

An average of 84,600 barrels per day was transported through the Company's oil gathering and transmission systems compared with 81,200 barrels per day in 1983. Norcen owns and operates the systems which total approximately 630 miles in length and are located in the four western provinces.

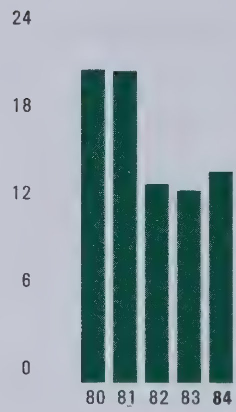
Mineral resources

Important gains were made in 1984 with IOC's enhanced competitive position and Hanna's improved results.

Iron ore pellets from Iron Ore Company of Canada are unloaded in Cleveland for transportation by rail to U.S. customers.

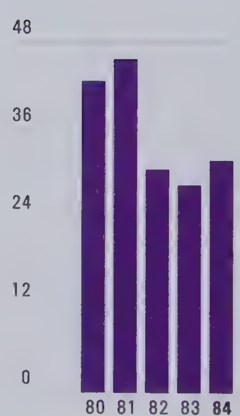
Iron ore sales by IOC
(millions of tonnes)

Iron ore sales began to recover due to an increase in demand.



Iron ore royalties
(millions of dollars)

The increase in royalty income reflects the improvement in sales tonnage as well as higher prices due to a favourable exchange rate.



Norcen acquired the principal assets of its mineral resources division in July, 1983. In 1984, Norcen's interest in The Hanna Mining Company was increased from 20 to 28 per cent. The other principal assets include a royalty interest on iron ore produced by Iron Ore Company of Canada (IOC); a 10.47 per cent equity interest in IOC; and royalties on gold ore mined and milled by Pamour Porcupine Mines Limited.

Iron ore

IOC is the largest producer of iron ore in Canada, with mines, a concentrator and a pelletizing plant at Labrador City. The ore, in concentrate and pellet form, is transported by rail to Sept-Iles, Quebec, where IOC owns and operates storage and dock loading facilities.

The ore reserves are well-defined and expected to last for more than 30 years providing Norcen with a source of long term royalty income.

During 1984, IOC mined 29.7 million tonnes of crude ore compared with 26.9 million tonnes in 1983. It sold 6.8 million tonnes of pellets, up from 6.3 million tonnes the year before, 6.0 million tonnes of concentrate compared with 5.6 million tonnes in 1983, and 1.5 million tonnes of direct shipping ore compared with 1.2 million tonnes in 1983. Destinations included steel customers in North America, Europe and Asia.

The world steel industry continued its slow recovery in 1984 although production levels in the United States, IOC's most important market, slumped back to 1983 levels in the last half of the year. Several factors, including competition from alternatives to steel and iron, and continuing competition from imports of finished and

semi-finished steel products have had a negative impact on North American steel producers.

The world iron ore market is highly competitive, with ores from Brazil and Australia meeting much of the demand for ore outside of North America. Despite rising prices for materials and labour, IOC was able to reduce its unit production costs for 1984 below those of 1983. In 1984, the Company renewed its labour contracts for a three-year period.

IOC is a large consumer of heavy fuel oil and during the year it began implementing programs to introduce coal as a substitute fuel. In order to further control costs this program will become more extensive in 1985.

Because of its ability to control costs, IOC is able to compete internationally. Beginning in 1983 and continuing throughout 1984, IOC sold pellets to purchasers in Europe at prices based on international market prices which are lower than the Lake Erie price. The Company is forecasting these sales will increase in 1985 to allow greater production efficiencies at the mines. The contracts for sales of concentrates in Europe ended in 1984 and limited sales are expected to continue on a year-to-year basis. Contracts with buyers in Japan extend to March, 1988. Stockpiles of direct shipping ore will be sufficient for at least the coming year.

The outlook for the coming year is for continued improvement in production levels and a steady financial performance.

Gold mining
Norcen receives a royalty on ore mined by Pamour Porcupine Mines Limited from two gold properties in the Timmins district of Ontario. Royalty income for 1984 was approximately $1.1 million, down from $1.7 million in 1983 due to the lower price of gold and an adjustment in the royalty formula. The tonnage mined in 1984 was similar to that of 1983 at 526,000 tons, despite production being suspended from the underground workings at one of the mines due to the falling price of gold.

Exploration
In 1984, mineral exploration programs for precious metals were carried out in Newfoundland, British Columbia, Ontario and Nevada. Expenditures during the year were $2.6 million, compared with $2.2 million in 1983.

The Hanna Mining Company
Norcen increased its ownership of Hanna from 20 to 28 per cent in accordance with its policy of diversifying its interests geographically. Hanna is a natural resource company involved in the mining and processing of ferrous and non-ferrous minerals, coal mining, oil well servicing, contract drilling, and it is a partner with Norcen in certain oil and gas exploration and development projects.

Hanna's performance during 1984 returned to profitability as conditions in certain of its key areas of activity – metals and coal – began to show marked improvement. The company's earnings for 1984 were $7.7 million compared with a net loss in 1983 of $28.8 million.

IOC achieved increases in production, earnings and cash flow.

The Hanna Mining Company's performance returned to profitability.

Norcen increased its equity interest in Hanna from 20 to 28 per cent.

The Lake Wabush, owned and managed by Hanna Mining, transports iron ore through the Welland Canal.

Hanna is the manager and largest single shareholder of IOC with a 26.8 per cent interest. As described in more detail above, IOC increased its ore production, earnings and cash flow in 1984 as compared with the year before.

Hanna's oil and gas interests include a joint venture exploration interest with Norcen in the U.S. Gulf Coast area (see section in oil and gas division); a 50 per cent interest in WellTech Inc., a large company which provides well servicing to the oil and gas industry; and a majority ownership in Midland Southwest Corporation which owns and operates contract drilling rigs.

Hanna's wholly-owned operations include nickel production – the company is the only integrated nickel producer in the United States – and at the beginning of 1984, its facilities in Washington, which produce ferrosilicon and silicon metal, re-opened after an eighteen-month shut-down.

Hanna also has major ownership interests in coal mining in the Appalachian region and in Colorado. As in 1983, the strong performance of the western operations was offset by the weak demand and low prices still affecting its eastern mines.

Hanna owns a one-third interest in MBR, the largest privately owned iron ore producer in Brazil. During 1984, MBR produced and sold 14.6 million tons of high grade ore for shipment to customers in Asia and Latin America.

In August, 1984, Hanna completed the sale of its 20.5 per cent minority interest in Alcoa Aluminio, a Brazilian integrated aluminum producer, for U.S. $55 million. Hanna received U.S. $35 million of this amount in the first half of 1984, with payments of U.S. $5 million a year to be made over the next four years.

Coal

Construction of the Obed Marsh thermal coal project near Hinton, Alberta, proceeded throughout 1984 and initial deliveries of coal commenced in August. The project currently has sales contracts with utilities in Europe and Japan. Norcen holds an approximate seven per cent participating interest in the project.

The plant at Coleman Collieries Limited was officially closed in 1984 as a result of its unfavourable mining economics and the soft world demand for thermal coal. All disposable assets are being sold.

Effective September 30, 1984, Norcen sold its wholly-owned subsidiary, Northern and Central Gas, to Inter-City Gas Corporation of Winnipeg for a total consideration of $240 million. This consisted of $163 million in cash and $77 million in eight per cent first preference shares of Inter-City Gas.

The sale marked the final stage in Norcen's evolution from a gas utility with resource interests into a major Canadian resource company.

Northern and Central operates natural gas distribution systems in Ontario and Quebec, as well as in Manitoba through its 99 per cent owned subsidiary, Greater Winnipeg Gas Company. As of December 31, 1984, these operations provided service to approximately 300,000 customers.

1984 performance

For the nine months ended September 30, 1984, the total sales volumes of the gas utilities division rose to 110.2 billion cubic feet, compared with 106.3 billion cubic feet for the same period in 1983. This represents an increase of 3.6 per cent. Up until the end of September, 1984, 8,707 new customers had been attached compared with 6,662 during the same period the year before. Net income for the first nine months of 1984 was $17.8 million up from $15.4 million the year before.

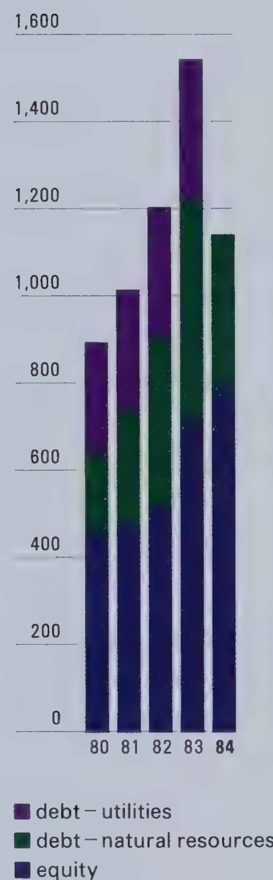
Utilities sale

As a result of the sale of its gas utilities, which was completed on January 25, 1985, Norcen emerges in an exceptionally strong financial position. The sale removed $322.5 million in long term debt associated with the utilities from Norcen's balance sheet and in addition, Norcen has used the $163 million received in cash to further reduce debt. The Company is now well poised to pursue further investments in non-regulated areas.

The sale of its gas utilities division marks a watershed in Norcen's history. From its beginnings in the early 1950's, as a small Northern Ontario natural gas utility, Northern and Central Gas has played a central role in the development of Norcen as a major Canadian resource company. From its purchase of major oil and gas assets in 1965, through the corporate reorganization which created Norcen in 1975, up until the present time, Northern and Central Gas has provided a stable and reliable base from which to grow.

Norcen extends its thanks to the employees of Northern and Central and Greater Winnipeg Gas, together with its best wishes for their continued success throughout the coming years.

Debt and equity capital
(millions of dollars)



The debt to equity ratio improved substantially following the sale of the Gas utilities.

Social responsibility

Norcen contributed several bursaries and scholarships to colleges and universities in Newfoundland. One of the recipients, Ron Vitch (right) is being trained by his professor on the use of navigation instrumentation at the College of Fisheries and Navigation in St. John's.

While Norcen believes that its most important contribution to Canada is the creation and enhancement of economic opportunities and employment, it recognizes it has additional social responsibilities, particularly to the communities in which it has business interests. The Company's community support and human resources programs are two ways in which it meets these obligations.

Human resources policies

As with most major corporations, Norcen's human resources policies include equality of opportunity and equal pay for work of equal value. The Company emphasizes promotion from within and offers in-house training programs and financial support for job-related continuing education.

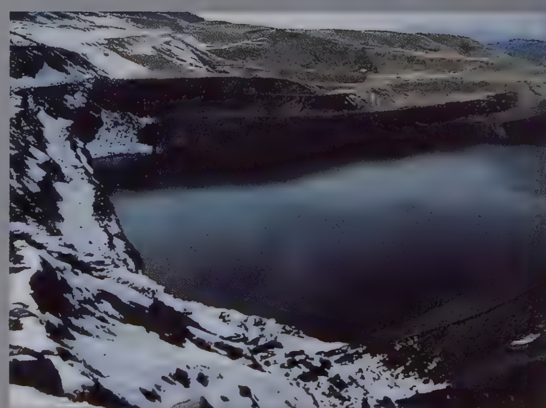
A close encounter with a Triceratops at the Calgary Prehistoric Park – one of the many community projects supported by Norcen.

Community support programs

Norcen contributes financially to charitable organizations working in the areas of health, public education, welfare and the arts. Contributions are made in accordance with sound business practices, with priority given to organizations which meet an important community need and which demonstrate broad community support. In 1984, the Company gave support to 156 organizations across Canada.

Examples include the donation of equipment to monitor children with a predisposition for sudden infant death syndrome at the Charles A. Janeway Child Health Centre in Newfoundland; the donation of funds to the Provost Municipal Health Care Centre in Alberta for public instruction in cardio-pulmonary resuscitation; and sponsorship of the Young People's Series Concerts performed by the Calgary Philharmonic Orchestra.

Following the closing of Coleman Collieries in Alberta, Norcen has undertaken an extensive reclamation program to restore the environment surrounding the mines. Shown here is the open pit mine at Tent mountain which is now a man-made lake surrounded by rolling, grassy hills.



Other ways in which Norcen seeks to practise good corporate citizenship include policies in respect of ethical business practices, local and regional procurement, environmental protection and co-operation with governments and the industry.

Management's financial analysis and discussion

Net income of $104.3 million in 1984 was an all-time high, surpassing the previous high set prior to introduction of the National Energy Program ("NEP") in 1980. This achievement is due to significantly higher production volumes and productivity which more than overcame the high burden of NEP related taxation. Cash generated from operations also set a new high of $214.5 million.

In January 1985 Norcen completed the sale, effective September 30, 1984, of its gas utilities division. Prior years' consolidated financial statements have been restated to account for this division by the equity method. The sale had virtually no effect on 1984 net income as the gain on sale offset the loss of fourth quarter gas utility earnings. While loss of the earnings of gas utilities will not be immediately offset by reduced financing costs and increased investment income, there will be no material impact on cash available to Norcen's continuing operations.

Also in January 1985 the Alberta Court of Queen's Bench ruled adversely to the Company in respect of its lawsuit against Suncor Inc. concerning Norcen's entitlement to royalties on certain revenues. Norcen intends to appeal the decision. All affected years have been restated to reflect this decision. The effect on each year's net income is set forth in Note 2 to the Consolidated Financial Statements. In the aggregate the effect of the decision was to reduce ordinary shareholders' equity by $29.2 million. In the absence of reversal of the decision on appeal, the future impact of this decision is dependent on the difference, which is presently declining, between regulated Canadian oil prices and world oil prices. Federal and provincial governments are currently discussing the deregulation of crude oil prices.

Norcen's results of operations by business segment for the three years ended December 31, 1984 are set out in Note 11 to the Consolidated Financial Statements.

Revenues and expenses

Both the oil and gas and mineral resources divisions achieved record levels of revenue, up 26% in 1984 after an increase of 21% in 1983. Oil and gas revenues increased mainly because of record levels of liquids production and a somewhat higher demand for natural gas. Liquids and gas volumes in 1984 were up 12% and 10%, respectively, compared to 1983 and were up 28% and down 5%, respectively, from 1982. Prices continued their stabilizing trend noted in 1983 gaining 6% in the year. Mineral resources revenues reflect the first full year of income from the substantial assets acquired in mid-1983. Growth in royalty income reflected a 9% increase in volumes shipped by Iron Ore Company of Canada ("IOC") at slightly better prices than those obtained in 1983. This increased volume and lower costs allowed IOC to pay a total of $10.5 million in dividends to the Company in 1984.

Production and operating costs grew at a 10% rate in 1984 compared to about 7% in 1983. It is estimated that about one half of this increase in 1984 reflects growth in the level of the Company's activities. Broadly based restraint in the economy and the concentrated effort by the Company to control costs and improve productivity have significantly mitigated the effect of inflation.

Production revenue taxes continued to grow as a direct function of increasing levels of revenue. Depreciation and depletion also continued to increase due to higher revenues and the higher costs of replacing reserves. Financial expense, which was up $5.9 million in 1984 after an increase of $3.5 million in 1983, reflects the full year effect of financing the mineral resources acquisition in mid-1983 offset by somewhat lower short-term rates in 1984.

Most troublesome to the Company is the substantial increase in income taxes. As a result of the fiscal regime introduced by the NEP which introduced non-deductible production revenue taxes and phased out tax depletion allowances, the Company's effective rate of income tax exceeded 64%

in 1984 compared to 51% in 1982. Current income and production revenue taxes totalled $145.6 million, up from $81.9 million in 1983 and $48.1 million in 1982. Total income and production revenue taxes are now nearly 200% of income applicable to ordinary shareholders compared to approximately 129% in 1982.

Capital and other spending

Capital expenditures on oil and gas exploration and development before federal and provincial incentives increased to $241.0 million from $216.1 million and $217.8 million in 1983 and 1982, respectively. The growth was accounted for by increased spending on activities in the United States and Australia. This geographic shift resulted in federal and provincial incentives growing marginally to $85.7 million in 1984 from about $84 million in each of 1983 and 1982.

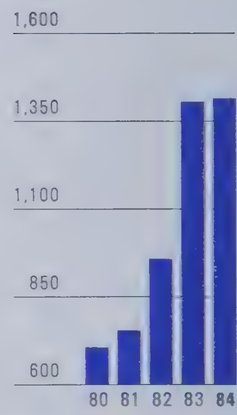
While there were no major acquisitions during the year, the Company increased its interest in The Hanna Mining Company from 20% to 28% at a cost of $33.8 million and received $77 million Inter-City Gas Corporation 8% first preference shares as part of the sale consideration for the gas utilities division. In 1983 Norcen acquired mineral resource assets at a cost of $327.8 million.

Financing activities

Following two years of aggressive financing and acquisition activities during which the Company generated new external capital of over $735 million, 1984 was a quiet year with no significant new issues. Internally generated funds and demand bank credits provided all funds for 1984 activities. Sale of the gas utilities division, which closed in January 1985, allowed the Company to pay down demand bank credits by $163 million and also removed $322.5 million of utility long-term debt from the Company's consolidated balance sheet. Giving effect to this transaction the equity to debt ratio improved to 2.2:1 compared to 0.9:1 reported at the end of 1983.

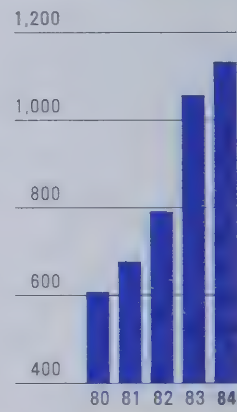
Total capitalization
(millions of dollars)

Remained at approximately the same level as last year, but there was an increase in equity and a reduction of debt.



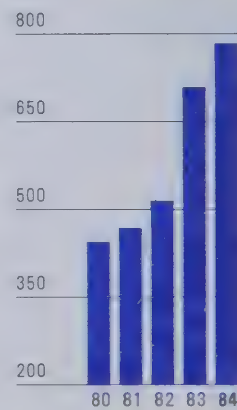
Properties, plant and equipment
(millions of dollars)

Norcen continued its policy of reinvesting funds from operations for future growth.



Shareholders' equity
(millions of dollars)

Equity continues to grow largely as a result of the increase in retained earnings.



Accounting policies

The Annual Report and the accompanying consolidated financial statements have been prepared by Management and approved by the Board of Directors. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis and comply with United States disclosure requirements in all material respects. The principles used were those judged by Management to be the most appropriate in the circumstances. Management acknowledges responsibility for the fairness, integrity and objectivity of all financial information contained in the Annual Report, including the consolidated financial statements, and that all information contained in the Annual Report is consistent with the consolidated financial statements. The Company's auditors are responsible for auditing the consolidated financial statements and for giving an opinion on them. The Audit Committee of the Board of Directors is responsible for reviewing the annual consolidated financial statements and reporting thereon to the Board, making recommendations to the Board with respect to the appointment and remuneration of the Company's auditors, reviewing the scope of the audit and reviewing the Company's internal financial controls.

Basis of presentation

The consolidated financial statements include the accounts of Norcen and all of its subsidiaries. The companies' operations are organized into two classes of business, namely, oil and gas and mineral resources. Effective September 30, 1984, Norcen sold its gas utilities operations (Note 3).

Foreign currency translation

Current assets and current liabilities are translated at the rates of exchange prevailing at the balance sheet dates. Long-term assets are translated at rates in effect at the dates the assets were acquired. Long-term liabilities, previously translated at rates in effect at the dates the liabilities were incurred, are, effective January 1, 1984, translated at the rates of exchange prevailing at the balance sheet date. Any foreign exchange gains or losses arising on translation of long-term liabilities are deferred and amortized over the remaining term of the liabilities. Sales and other revenues and costs and expenses are translated at the average rate of exchange for the respective year. The resulting gains and losses are included in income. As a result of this change, at December 31, 1984, long-term debt has been increased by $9,605,000, a foreign exchange loss has been deferred in the amount of $7,347,000 and the difference of $2,258,000 has been charged against income before income taxes. Translation of long-term debt repayable in foreign currencies at the rate of exchange prevailing at year end would have resulted in additional obligations of $1,581,000 at December 31, 1983.

Properties, plant and equipment

Oil and gas

Oil and gas properties, in accordance with the full cost method of accounting, include all expenditures related to the acquisition, exploration and development of oil and gas reserves, whether or not potentially productive. These costs are depleted on the net production revenue method based on total estimated future production revenues from proven recoverable reserves. Proceeds on sale of non-producing properties are credited to asset costs.

Oil and gas production equipment and related facilities are depreciated over their estimated useful service life on the straight-line method at various rates, the application of which is equivalent to a composite rate of approximately 7.72% in 1984, (7.77% in 1983, 7.29% in 1982).

Mineral resources

Mineral resources properties are carried at cost. Exploration costs are written off in the year incurred. When a property is determined to be economic, all subsequent costs are deferred and amortized against related production.

Deferred gas revenues

Deferred gas production revenue represents payments received under take-or-pay gas contracts. These amounts will be included in revenue when the gas to which the payments relate is delivered at the purchaser's option. Deliveries, which are to be made over a ten year period, commenced November 1, 1984.

Pension plans and other benefits

The companies have a defined benefit pension plan covering most employees. Current costs are provided for, and funded, based upon actuarial estimates. There are no unfunded liabilities for past service pension benefits.

Earnings per ordinary share

Effective November 4, 1983, each common share was changed into one voting ordinary share and one non-voting ordinary share (Note 9(a)). This change has been applied retroactively to provide comparability of the consolidated financial statements.

Earnings per ordinary share have been calculated using the weighted monthly average number of ordinary shares outstanding during the year (56,205,000 in 1984, 54,683,000 in 1983, 53,242,000 in 1982). Fully diluted earnings per ordinary share assumes the exercise of all rights to acquire ordinary shares which have a dilutive effect.

Years ended December 31,
1984, 1983 and 1982
(thousands of dollars)

Consolidated statement of income

		(Restated)	
	1984	1983	1982
Sales and other revenues			
Oil and gas	**$519,537**	$429,826	$368,985
Mineral resources	**50,721**	22,797	5,290
	570,258	452,623	374,275
Costs and expenses			
Gas purchases	**54,044**	47,284	41,429
Production, operations and administration	**105,824**	96,073	90,228
Production revenue taxes (Note 10)	**60,023**	49,467	40,481
Depreciation and depletion	**78,538**	62,183	44,935
Interest on long-term debt	**50,616**	42,008	23,590
Other financial expense	**16,302**	18,966	33,843
Income taxes (Note 10)	**120,757**	78,107	48,191
Minority interests in subsidiaries	**1,651**	1,633	1,570
	487,755	395,721	324,267
Income from continuing operations	**82,503**	56,902	50,008
Earnings of gas utilities (Note 3)	**21,799**	21,464	20,774
Net income	**$104,302**	$ 78,366	$ 70,782
Dividends on preference shares	**$ 11,723**	$ 2,218	$ 2,146
Income applicable to ordinary shares	**$ 92,579**	$ 76,148	$ 68,636
Earnings per ordinary share			
Basic	**$ 1.65**	$ 1.39	$ 1.29
Fully diluted	**$ 1.62**	$ 1.38	$ 1.27

As at December 31, 1984 and 1983 (thousands of dollars)

Consolidated balance sheet

Assets	1984	(Restated) 1983
Current assets		
Cash	$ 11,774	$ 20,679
Accounts receivable	151,281	146,856
Receivable on sale of gas utilities (Note 3)	163,000	
Inventory	6,801	7,382
Total current assets	332,856	174,917
Investment in gas utilities (Note 3)		211,780
Investments (Note 5)	368,815	255,709
Properties, plant and equipment (Note 6)	1,125,112	1,048,062
Other assets	23,129	12,269
	$1,849,912	$1,702,737
Liabilities		
Current liabilities		
Demand bank credits (Note 7)	$ 180,111	$ 96,304
Accounts payable and accrued charges	111,878	110,679
Income and other taxes	87,960	37,752
Current maturities on long-term debt	8,594	8,441
Total current liabilities	388,543	253,176
Long-term debt (Note 8)	335,074	457,633
Deferred gas revenues	52,246	46,062
Total liabilities	775,863	756,871
Deferred income taxes	273,571	220,810
Minority interests in subsidiaries	13,246	11,595
Shareholders' equity		
Capital stock (Note 9(a))		
Issued		
First preference shares		
860 $1.06 cumulative redeemable series A (910 in 1983)	22	23
61,724 $1.50 cumulative redeemable series B (68,188 in 1983)	1,543	1,705
Junior preference shares		
85,817 non-cumulative convertible redeemable 1981 series	4,291	4,291
5,999,900 7¾% cumulative convertible redeemable 1983 series (6,000,000 in 1983)	147,178	147,180
113,300 non-cumulative convertible redeemable Series B	5,665	
Ordinary shares		
28,063,575 voting (28,012,335 in 1983)	136,841	136,380
28,274,898 non-voting (28,040,302 in 1983)	140,152	136,835
Retained earnings (Note 9(b))	351,540	287,047
Total shareholders' equity	787,232	713,461
	$1,849,912	$1,702,737

Years ended December 31,
1984, 1983 and 1982
(thousands of dollars)

Consolidated statement of retained earnings

	1984	1983	1982
Balance at beginning of year			
As previously reported	**$311,385**	$258,874	$214,167
Prior period adjustment (Note 2)	**(24,338)**	(20,790)	(17,276)
As restated	**287,047**	238,084	196,891
Net income	**104,302**	78,366	70,782
	391,349	316,450	267,673
Dividends			
First preference shares			
series A	**1**	1	2
series B	**97**	116	144
Junior preference shares			
1979 series		1,132	2,000
1983 series	**11,625**	969	
Ordinary shares			
voting	**14,018**	13,583	13,303
non-voting	**14,068**	13,583	13,302
Cost of shares purchased for cancellation in excess of average issue price		19	838
	39,809	29,403	29,589
Balance at end of year	**$351,540**	$287,047	$238,084

Approved by the Board:

Director Director

Auditors' Report
To the Shareholders of
Norcen Energy Resources Limited

We have examined the consolidated balance sheet of Norcen Energy Resources Limited as at December 31, 1984 and 1983 and the consolidated statements of income, retained earnings and changes in financial position for each of the years in the three year period ended December 31, 1984. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1984 and 1983 and the results of its operations and the changes in its financial position for each of the years in the three year period ended December 31, 1984 in accordance with generally accepted accounting principles applied on a consistent basis.

Thorne Riddell

Chartered Accountants

Toronto, Canada
January 31, 1985

Years ended December 31, 1984, 1983 and 1982 (thousands of dollars)

Consolidated statement of changes in financial position

	1984	(Restated) 1983	1982
Cash internally generated			
Income from continuing operations	**$ 82,503**	$ 56,902	$ 50,008
Add non-cash items:			
Depreciation and depletion	**78,538**	62,183	44,935
Deferred income taxes	**35,147**	45,639	40,620
Minority interests and other	**4,416**	(459)	934
Dividends from gas utilities	**13,939**	17,621	13,451
Cash generated from operations	**214,543**	181,886	149,948
Deferred gas revenues	**6,184**	5,598	20,006
Investments		49,693	
Decrease in working capital*	**44,881**		30,580
Total cash generated	**265,608**	237,177	200,534
Dividends paid	**39,809**	29,384	28,751
Net cash available	**225,799**	207,793	171,783
Cash invested			
Expenditures on properties, plant and equipment, net	**155,350**	106,532	161,720
Acquisition of mineral resource assets		320,398	
Investments	**35,952**		124,779
Other	**4,323**	3,140	4,500
Increase in working capital*		26,001	
	195,625	456,071	290,999
Excess (deficiency) of cash before external financing	**30,174**	(248,278)	(119,216)
External financing, net			
Demand bank credits	**83,807**	(95,185)	8,111
Long-term debt	**(132,164)**	209,706	120,090
Preference and ordinary shares	**9,278**	149,345	827
	(39,079)	263,866	129,028
Increase (decrease) in cash	**$ (8,905)**	$ 15,588	$ 9,812

*Working capital excludes cash, demand bank credits and $ 163 million cash received on January 25, 1985 from the sale of the gas utilities which was used to pay down demand bank credits.

(Tabular amounts are in thousands of dollars except where noted)

Notes to consolidated financial statements

Note 1

Accounting policies

The information on pages 25 and 26 presents a summary of the principal accounting policies and is an integral part of these consolidated financial statements.

Note 2

Prior period adjustment

Norcen, through a wholly-owned subsidiary, receives royalty payments from Suncor Inc. ("Suncor") in respect of synthetic crude oil mined from an oil sands lease in which Norcen has a 25% royalty interest. In 1982 a dispute developed over the amount of the royalty payable to Norcen. Suncor took the position that the revenue upon which the royalty is calculated should not include petroleum compensation payments paid by the federal government and commenced proceedings in the Alberta courts seeking a declaration to that effect. Norcen in turn commenced an action against Suncor seeking recovery of unpaid royalties since July 1982 accrued in Norcen's accounts.

In 1983, Suncor filed a counterclaim seeking recovery of monies paid to Norcen from April 1979 to June 1982 which Suncor says were paid by inadvertence and mistake of fact.

On January 21, 1985 the Court of Queen's Bench of Alberta rendered a decision adverse to Norcen. Judgement for the Suncor counterclaim was allowed in the amount of $26,166,000 and Norcen's claim for payment of accrued royalties in the amount of $31,215,000 withheld by Suncor for the period July 1, 1982 to December 31, 1984 was dismissed. The consolidated financial statements have been restated to reflect this decision. Net income has been reduced as follows:

Year ended December 31	Reduction in income (after income and other taxes)
1984	**$ 4,834**
1983	3,548
1982	3,514
1981 and prior	17,276
Total	$ 29,172

On January 23, 1985 Norcen announced its intention to appeal this decision.

Note 3

Sale of gas utilities

Norcen agreed, subject to obtaining necessary regulatory and other approvals, to sell to Inter-City Gas Corporation ("Inter-City Gas") and two of its subsidiaries, effective September 30, 1984, its entire holding of common shares of its wholly owned subsidiary, Northern and Central Gas Corporation Limited ("N&C"), for $163 million cash and $77 million of 8% first preference shares to be issued by Inter-City Gas. The sale, which closed on January 25, 1985, resulted in the disposal of Norcen's gas utilities operations in Ontario and Manitoba, as well as its holding of debt and securities of Gaz Métropolitain, inc., a former subsidiary.

The assets and operating results of Norcen have been restated to include its investment in N&C on an equity basis for all periods prior to October 1, 1984.

Condensed balance sheets of gas utilities operations as at the indicated dates are as follows:

	September 30 1984 (unaudited)	December 31 1983
Current assets	**$ 80,418**	$129,508
Investments	**185,133**	223,934
Property, plant and equipment	**357,057**	338,349
Other assets	**44,972**	13,323
	$667,580	$705,114
Due to Norcen	**$ 21,743**	$ 1,737
Other current liabilities	**53,190**	120,162
Long-term debt	**322,462**	316,479
Shareholders' equity	**270,185**	266,736
	$667,580	$705,114

Summarized operating results of gas utilities operations are as follows:

Year ended December 31	**1984**	1983	1982
Gross revenues	**$748,592**	$723,878	$675,108
Costs and expenses	**723,391**	699,784	651,595
Income	**$ 25,201**	$ 24,094	$ 23,513
Norcen's equity in earnings	**$ 21,799** (i)	$ 21,464	$ 20,774
Equity in earnings per ordinary share			
Basic	**$ 0.39**	$ 0.40	$ 0.39
Fully diluted	**$ 0.34**	$ 0.38	$ 0.37

(i) Includes the gain on sale of gas utilities operations of $5,152,000 after deferred income taxes of $17,522,000.

in thousands of dollars

Note 4
Acquisition of mineral resources assets

On July 28, 1983 Norcen acquired, through a series of transactions, substantially all of the natural resource and related assets of Hollinger Argus Limited ("Hollinger Argus") and Labrador Mining and Exploration Company Limited ("Labrador Mining") except its 36% interest in Norcen which was, in effect, transferred to a newly incorporated company, Labmin Resources Limited ("Labmin"). Prior to the acquisition by Norcen, all of the shareholders of Labrador Mining exchanged their common shares for an equal number of common shares of Labmin.

The principal assets acquired by Norcen were a 10.47% common share interest in Iron Ore Company of Canada ("IOC"), a royalty interest in lands being mined by IOC, a gold mining royalty and a note payable by Brascan Limited. The consideration paid by Norcen was cash of $9,223,000 and the assumption of debt of Labrador Mining of $315,046,000. The purchase consideration was assigned as follows:

Working capital	$ 8,025
Investments	118,966
Mineral resources properties	194,062
Other assets	6,741
	327,794
Deduct	
Deferred income taxes	3,525
Purchase consideration	$324,269

In August 1983, Norcen sold its 800,000 common shares of Labmin for U.S. $38.55 per share to Hollinger Argus in response to a tender offer to all shareholders of Labmin. At December 31, 1984 Hollinger Argus owned approximately 99% (85% in 1983) of the common shares of Labmin which owned approximately 34% (34% in 1983) of the ordinary shares of Norcen.

Note 5
Investments

December 31	1984	1983
(a) At Equity:		
Coleman Collieries Limited Shares	**$ 2,637**	$ 5,055
At Cost:		
The Hanna Mining Company ("Hanna") (quoted market 1984–$75,733,000; 1983–$52,380,000) (Note 5(b)) Shares	**146,511**	112,736
Inter-City Gas Corporation (Note 3) Shares–preference(i)	**77,000**	
Brascan Limited Note	**61,786**	61,786
Iron Ore Company of Canada Shares	**53,310**	53,310
Northern and Central Gas Corporation Limited (Note 3) Shares–preference	**8,530**	9,777
Long-term notes receivable	**10,294**	4,754
Other investments	**8,747**	8,291
	$368,815	$255,709

(i) These shares cannot be sold without the consent of the issuer.

Dividend income received from investments carried at cost was $13,009,000 in 1984 ($4,126,000 in 1983; $4,602,000 in 1982).

(b) Hanna

In June 1984, Norcen increased its share interest in Hanna from 20% to 28.15% by purchasing 1,151,609 common shares at U.S. $23.00 per share. An agreement with Hanna entitles Norcen to nominate three directors to Hanna's board of directors and, subject to certain exceptions, Norcen has agreed not to increase its common share interest in Hanna for an 8 year period ending in 1992. These exceptions include rights of Norcen to maintain its permitted percentage ownership and to respond to offers by others for Hanna shares under stated conditions.

(Tabular amounts are in thousands of dollars except where noted)

Note 6
Properties, plant and equipment

	Oil and gas (i)	Mineral resources	Total
December 31, 1984			
Cost	**$1,333,909**	**$242,730**	**$1,576,639**
Accumulated depreciation and depletion	**434,323**	**17,204**	**451,527**
Net	**$ 899,586**	**$225,526**	**$1,125,112**
December 31, 1983			
Cost	$ 1,172,990	$ 247,986	$ 1,420,976
Accumulated depreciation and depletion	361,741	11,173	372,914
Net	$ 811,249	$ 236,813	$ 1,048,062

(i) The net book value of oil and gas properties, plant and equipment does not exceed the estimated present worth value of future net revenues from proven reserves plus the lower of cost or estimated fair value of unproved properties.

Note 7
Demand bank credits
Norcen and its consolidated subsidiaries have the following obligations under established bank lines of credit of $195,750,000 at December 31, 1984 ($220,000,000 at December 31, 1983):

	Average % rate of interest at December 31		December 31	
	1984	1983	**1984**	1983
Commercial paper	**10.7**	10.1	**$160,000**	$ 79,737
Bankers' acceptances	**10.9**	10.1	**15,000**	15,000
Bank loans — unsecured	**11.3**	11.2	**5,111**	1,567
			$180,111	$ 96,304
Unused lines of credit at period end			**$ 15,639**	$123,696

$163 million cash received on January 25, 1985, from the sale of the gas utilities (Note 3) was used to pay down the above demand bank credits.

Note 8
Long-term debt

December 31	**1984**	1983
11¼% secured debentures, 1996	**$ 26,090**	$ 27,995
10¼% — 11¼% secured notes, 1988	**33,660**	35,033
12¾% — 13¼% debentures, 1993-2003	**115,000**	115,000
Term bank credits	**121,440**	240,336
7.6% subordinated note, 1999	**47,300**	47,300
Other	**178**	410
	343,668	466,074
Current maturities on long-term debt	**8,594**	8,441
	$335,074	$457,633

Lines of term bank credits, established with three Canadian banks, at December 31, 1984 amounted to U.S. $62,000,000 which on maturity in 1986 may be extended at the borrower's option into a term loan with semi-annual principal repayments to retire the loan in 1994, and $39,600,000 maturing in 1986.

The average annual costs of indebtedness under these lines of term bank credits for 1984, 1983 and 1982 were 11.7%, 10.6% and 10.9%, respectively, and the amounts outstanding at December 31, were:

	1984	1983
Commercial paper		$ 48,000
Bankers' acceptances		40,000
Eurodollar advances U.S.	**$ 92,000**	120,000

Long-term debt maturities and sinking fund requirements for each of the four years subsequent to 1985 are as follows: 1986–$57,195,000; 1987–$22,870,000; 1988–$24,542,000; 1989–$18,593,000.

(Tabular amounts are
in thousands of dollars
except per share amounts)

Note 9
Shareholders' equity

(a) Capital stock

The authorized capital stock of Norcen at December 31, 1984 consists of 1,300,000 first preference shares without par value issuable in series; unlimited second and junior preference shares without par value issuable in series and unlimited voting and non-voting ordinary shares without par value. The maximum consideration for the issuance of first preference shares is $132,500,000.

Effective November 4, 1983, Norcen changed each outstanding common share into one voting ordinary share and one non-voting ordinary share, and cancelled any authorized but unissued common shares. The two classes of ordinary shares rank equally with each other and after all preference shares of Norcen with respect to priority on the payment of dividends. At the holder's option voting ordinary shares are convertible into non-voting ordinary shares, on a one-for-one basis, at any time. Non-voting ordinary shares are convertible into voting ordinary shares, on a one-for-one basis, only in certain limited circumstances.

First Preference Shares, Series A and Series B (redeemable at Norcen's option at $27.50 and $26.50 per share, respectively) have voting rights.

The Convertible Junior Preference Shares, 1981 Series were issued to senior executives pursuant to the terms of the Preference Share Incentive Plan, are non-voting, pay no dividend and each becomes convertible into approximately 1.66 voting ordinary shares and 1.66 non-voting ordinary shares at the rate of 25% of the issue after each of the first four years. The preference shares are automatically redeemed at $50.00 per share after eight years or earlier in accordance with certain provisions of the plan.

The 7¾% Convertible Junior Preference Shares, 1983 Series were issued on December 1, 1983. These shares are non-voting and each is convertible at the option of the holder at any time up to the close of business on December 1, 1990 into approximately 1.28 non-voting ordinary shares. Subject to certain restrictions, the Convertible Junior Preference Shares, 1983 Series will be redeemable on or after December 1, 1986 at Norcen's option in whole or in part at any time at a price of $26.00, such price declining by $0.25 per annum until December 1, 1990 after which they are redeemable at the issue price of $25.00 per share.

The Convertible Junior Preference Shares, Series B were issued on February 8, 1984 to senior executives pursuant to the terms of the Preference Share Incentive Plan. The Convertible Junior Preference Shares, Series B are identical to the Convertible Junior Preference Shares, 1981 Series in all respects except that each becomes convertible into approximately 3.191 non-voting ordinary shares.

Changes in Norcen's ordinary and junior preference share capital during the three years ended December 31, 1984 are as follows:

	Ordinary Shares	
	Voting	
	Number of shares	Amount
December 31, 1981	26,507,143	$ 116,423
Issued for cash		
Employee savings and investment plan	85,087	1,149
Incentive stock option plan	70,764	
Ordinary stock dividends	18,742	247
Redeemed		
Converted		
Preference shares	107,180	1,471
Purchased for cancellation	(51,465)	(226)
December 31, 1982	26,737,451	119,064
Issued for cash		
Preference shares		
Employee savings and investment plan	64,844	1,056
Incentive stock option plan	28,745	
Ordinary stock dividends	16,987	279
Redeemed		
Converted		
Preference shares	1,164,332	15,981
Purchased for cancellation	(24)	
December 31, 1983	28,012,335	136,380
Issued for cash		
Preference shares		
Employee savings and investment plan		
Incentive stock option plan	25,759	
Ordinary stock dividends	25,873	463
Exchanged	(392)	(2)
Converted		
Preference shares		
December 31, 1984	**28,063,575**	**$136,841**

In addition, Norcen redeemed first preference shares during the three years ended December 31, 1984 as follows:

	Series A		Series B	
	Number of shares	Amount	Number of shares	Amount
1982	170	$ 4	19,655	$491
1983	525	13	14,036	351
1984	**50**	**1**	**6,464**	**162**

(Tabular amounts are in thousands of dollars except per share amounts)

			Junior Preference Shares							
	Non-Voting		1979 Series		1981 Series		1983 Series		Series B	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amour
	26,507,143	$ 116,422	715,902	$ 35,079	97,862	$ 4,893				
	85,087	1,149								
	70,764									
	18,742	248								
					(3,614)	(181)				
	107,180	1,470	(60,021)	(2,941)						
	(51,465)	(226)								
	26,737,451	119,063	655,881	32,138	94,248	4,712				
							6,000,000	$ 147,180		
	92,811	1,511								
	28,745									
	16,987	280								
			(6,650)	(326)	(5,420)	(271)				
	1,164,332	15,981	(649,231)	(31,812)	(3,011)	(150)				
	(24)									
	28,040,302	136,835			85,817	4,291	6,000,000	147,180		
									113,300	$ 5,66
	180,613	2,851								
	25,759									
	27,704	462								
	392	2								
	128	2					(100)	(2)		
	28,274,898	**$140,152**			**85,817**	**$4,291**	**5,999,900**	**$147,178**	**113,300**	**$5,66**

Voting and non-voting ordinary shares may be issued as follows:

	Voting	Non-Voting
Conversion of junior preference shares	142,494	8,196,221
Incentive stock option plan, of which market growth options were outstanding at December 31, 1984 on: 30,125 of each of the voting and non-voting ordinary shares at a combined exercise price of $30.125 expiring in 1986; and 105,000 non-voting ordinary shares at an exercise price of $15.6875 expiring in 1988	30,125	135,125

(b) Dividend restrictions

Covenants respecting certain of Norcen's long-term debt impose a limit on dividend payments by Norcen, such limit being related in part to consolidated net income, as defined. Under the most restrictive of these covenants, retained earnings in the amount of $161 million were available for the payment of dividends at December 31, 1984.

in thousands of dollars

Note 10
Taxes

In prior years, production revenue taxes were netted against sales and other revenues. In 1984, production revenue taxes were retroactively reclassified as a separate expense item in the consolidated statement of income. Production revenue taxes include petroleum and gas revenue tax and incremental oil revenue tax ($54,051,000 in 1984; $46,709,000 in 1983 and $40,481,000 in 1982) and Newfoundland royalty tax on mineral resources ($5,972,000 in 1984 and $2,758,000 in 1983).

Deferred income taxes result from timing differences in the recognition of income and expenses for income tax and financial statement purposes. The sources of these differences and the tax effect of each are as follows:

Year ended December 31	**1984**	1983	1982
Exploration and development expenditures and capital cost allowances deducted for income tax purposes in excess of depletion and depreciation	**$ 33,345**	$ 39,239	$ 38,754
Other items, net	**1,802**	6,400	1,866
	$ 35,147	$ 45,639	$ 40,620

Deferred income taxes on the gain on sale of gas utilities were $17,522,000 in 1984.

The provision for income taxes in the consolidated statement of income varies from the amounts that would be computed by applying the Canadian federal statutory rate of 46% to income before income taxes, equity earnings, dividend income and minority interests for the following reasons:

Year ended December 31	**1984**	1983	1982
Income before income taxes and other items	**$187,988**	$130,919	$ 94,479
Canadian federal statutory rate of income tax	**46.0%**	46.0%	46.0%
Computed income tax expense	**$ 86,474**	$ 60,223	$ 43,460
Increase (decrease) in income taxes resulting from:			
Non-deductible production revenue taxes	**24,863**	21,486	18,621
Income tax depletion	**(1,545)**	(7,248)	(11,464)
Incremental exempt income	**(828)**	(2,468)	(7,001)
Provincial income taxes in excess of federal abatement	**4,759**	1,973	1,421
Non-deductible royalties, mineral taxes and other expenses, less federal resource allowance and provincial rebates and other	**7,034**	4,141	3,154
Actual income tax expense	**$120,757**	$ 78,107	$ 48,191
Effective tax rate	**64.2%**	59.7%	51.0%

(Tabular amounts are in thousands of dollars except per share amounts)

Note 11

Financial data by business segment

Year ended December 31	1984	1983	1982
Oil and gas			
Sales and other revenues(i)	**$ 519,537**	$ 429,826	$ 368,985
Operating costs	**208,623**	187,646	170,829
Depreciation and depletion	**73,303**	59,950	44,935
	281,926	247,596	215,764
Operating income	**$ 237,611**	$ 182,230	$ 153,221
Mineral resources			
Sales and other revenues(i)	**$ 50,721**	$ 22,797	$ 5,290
Operating costs	**11,268**	5,178	1,309
Depreciation and depletion	**5,235**	2,233	
	16,503	7,411	1,309
Operating income	**$ 34,218**	$ 15,386	$ 3,981
Consolidated total			
Sales and other revenues(i)	**$ 570,258**	$ 452,623	$ 374,275
Operating expenses	**298,429**	255,007	217,073
Operating income	**271,829**	197,616	157,202
Interest and other financial expense	**66,918**	60,974	57,433
Income taxes	**120,757**	78,107	48,191
Minority interests	**1,651**	1,633	1,570
	189,326	140,714	107,194
Income from continuing operations	**82,503**	56,902	50,008
Earnings of gas utilities	**21,799**	21,464	20,774
Net Income	**$ 104,302**	$ 78,366	$ 70,782
Capital expenditures			
Oil and gas(ii)	**$ 155,350**	$ 106,090	$ 133,999
Mineral resources		442	27,721
	$ 155,350	$ 106,532	$ 161,720
Identifiable assets			
Oil and gas	**$1,099,369**	$1,000,865	$ 953,164
Mineral resources	**510,543**	490,092	190,883
Gas utilities investment	**240,000**	211,780	207,937
	$1,849,912	$1,702,737	$1,351,984

(i) Before deducting production revenue taxes which include petroleum gas revenue tax and Newfoundland royalty tax on mineral resources.

(ii) Net of petroleum incentive payments of $85,699,000 in 1984; $84,229,000 in 1983 and $83,758,000 in 1982.

in thousands of dollars

Note 12

United States accounting principles

Norcen follows Canadian accounting principles which are different in some respects from those applicable in the United States and from practices prescribed by the United States Securities and Exchange Commission ("SEC"). These differences would have affected income from continuing operations as follows:

Year ended December 31	**1984**	1983	1982
Income from continuing operations based on Canadian accounting principles	**$ 82,503**	$ 56,902	$ 50,008
Prior period adjustment regarding the Suncor litigation(i)	**(24,338)**	3,548	3,514
Foreign currency translation adjustment on long-term debt(ii)	**(5,766)**	(601)	5,335
Application of SEC prescribed full cost method net of related deferred income taxes(iii)	**2,024**	4,150	246
Amortization of excess cost of minority shares in 1975 reorganization(iv)	**(607)**	(668)	(601)
Income from continuing operations based on United States accounting principles	**$ 53,816**	$ 63,331	$ 58,502
Earnings from continuing operations per ordinary share			
Canadian	**$ 1.26**	$ 0.99	$ 0.90
United States	**$ 0.75**	$ 1.12	$ 1.06

(i) Under Canadian accounting principles the outcome of the Suncor litigation involving royalties received or receivable dating back to 1979 constitutes a prior period adjustment (Note 2). However, under United States accounting principles, the entire adjustment would have been reflected in current income.

(ii) Effective January 1, 1984, Norcen defers and amortizes, over the term of the debt, the gain or loss on the translation of the non-current portion of long-term debt in foreign currencies at the rate of exchange in effect at year end (see Accounting Policies — Foreign currency translation). Under United States accounting principles the entire gain or loss on translation of the long-term debt would be charged to income.

(iii) Norcen accounts for its exploration and development expenditures under the full cost method on a world-wide basis. This adjustment reflects the country-by-country full cost method prescribed by the SEC.

(iv) A corporate reorganization in 1975 was accounted for in the manner of a pooling of interests. Under United States accounting principles, it would have been accorded purchase accounting treatment. Accordingly, the cost of the minority shares over their underlying book value of $16,900,000 would have been included in properties, plant and equipment.

The cumulative effect of the application of the above noted United States accounting principles on retained earnings would be as follows:

December 31	**1984**	1983	1982
Retained earnings based on Canadian accounting principles	**$351,540**	$287,047	$238,084
Prior period adjustment in 1984 in regard to the Suncor litigation		24,338	20,790
Write-off of unrealized exchange losses on long-term debt	**(7,347)**	(1,581)	(980)
Application of SEC full cost method	**(25,277)**	(27,301)	(31,451)
Amortization of excess cost of minority shares in 1975 reorganization	**(7,486)**	(6,879)	(6,211)
Other(i)	**(20,920)**	(20,920)	(20,920)
Retained earnings based on United States accounting principles	**$290,510**	$254,704	$199,312

(i) Cumulative effect of income accruing to the minority interests prior to the date of the 1975 reorganization, net of the excess cost of the minority shares, would not have been credited to retained earnings.

Pursuant to United States generally accepted accounting principles the Convertible Junior Preference Shares, 1981 Series and Series B in the amount of $9,956,000 and $4,291,000 in 1984 and 1983, respectively, would have been reclassified from shareholders' equity to non-current liabilities. The amounts receivable from officers and directors for the purchase of these shares in the amounts of $9,956,000 and $4,291,000 at December 31, 1984 and 1983, respectively, would be reclassified as a deduction from these non-current liabilities.

(Tabular amounts are in thousands of dollars except where noted)

Supplemental information
(unaudited)

Quarterly and other financial data
The following quarterly financial data for both 1984 and 1983 excludes the sales and other revenues, costs and expenses of the gas utilities operations sold September 30, 1984 (Note 3) but includes Norcen's equity in their earnings. Previously reported figures have also been adjusted for the effect of the prior period adjustment (Note 2) and the reclassification of production revenue taxes (Note 10).

	Quarter				Year
	First	Second	Third	Fourth	
1984					
Sales and other revenues					
As previously reported	**$127,674**	**$119,312**	**$122,378**	**$149,608**	**$518,972**
Prior period adjustment	**(2,756)**	**(2,506)**	**(3,475)**		**(8,737)**
Production revenue taxes	**16,934**	**14,347**	**17,323**	**11,419**	**60,023**
As restated	**$141,852**	**$131,153**	**$136,226**	**$161,027**	**$570,258**
Net income					
As previously reported	**$ 39,728**	**$ 23,774**	**$ 9,383**	**$ 34,971**	**$107,856**
Prior period adjustment	**(1,121)**	**(1,021)**	**(1,412)**		**(3,554)**
As restated	**$ 38,607**	**$ 22,753**	**$ 7,971**	**$ 34,971**	**$104,302**
Earnings per ordinary share					
As previously reported					
Basic	**$ 0.66**	**$ 0.37**	**$ 0.11**		
Fully diluted(i)	**0.62**	**0.37**	**0.11**		
As restated					
Basic	**0.64**	**0.35**	**0.09**	**$ 0.57**	**$ 1.65**
Fully diluted(i)	**0.60**	**0.35**	**0.09**	**0.54**	**1.62**
Dividends paid per ordinary share(ii)	**0.125**	**0.125**	**0.125**	**0.125**	**0.50**
Market price per share(iii)					
Voting ordinary					
High	**18⅛**	**20**	**19¼**	**19½**	
Low	**15⅞**	**16⅜**	**14¾**	**15**	
Non-voting ordinary					
High	**16⅝**	**18½**	**17⅜**	**18¼**	
Low	**14⅝**	**14¾**	**13⅝**	**13¾**	
1983					
Sales and other revenues					
As previously reported	$100,140	$ 86,041	$ 99,615	$128,505	$414,301
Prior period adjustment	(2,970)	(3,428)	(2,321)	(2,426)	(11,145)
Production revenue taxes	12,775	11,446	14,215	11,031	49,467
As restated	$109,945	$ 94,059	$111,509	$137,110	$452,623
Net income					
As previously reported	$ 32,082	$ 15,888	$ 9,402	$ 24,542	$ 81,914
Prior period adjustment	(968)	(1,098)	(724)	(758)	(3,548)
As restated	$ 31,114	$ 14,790	$ 8,678	$ 23,784	$ 78,366
Earnings per ordinary share					
As previously reported					
Basic	$ 0.59	$ 0.28	$ 0.17	$ 0.42	$ 1.46
Fully diluted(i)	0.57	0.28	0.17	0.41	1.44
As restated					
Basic	0.57	0.26	0.15	0.41	1.39
Fully diluted(i)	0.56	0.26	0.15	0.41	1.38
Dividends paid per ordinary share(ii)	0.125	0.125	0.125	0.125	0.50
Market price per share(iii)					
Voting ordinary					
High				19¼	
Low				16¾	
Non-voting ordinary					
High				17⅛	
Low				15⅝	
Common(iv)					
High	33	37¼	41	38⅜	
Low	28⅛	29⅝	35¼	33⅞	

(Tabular amounts are in thousands of dollars except where noted)

(i) The sum of quarterly earnings per share for the year does not equal earnings per share for the year due to the effect on average outstanding shares of the conversion of preference shares.
(ii) United States residents are subject to a 15% withholding tax.
(iii) The market prices are as reported by The Toronto Stock Exchange, which is the principal market of the ordinary shares of Norcen. There is no established public trading market in the United States.
(iv) On November 4, 1983 each common share was changed into one voting ordinary share and one non-voting ordinary share (Note 9(a)).

Oil and gas information

The following unaudited supplementary information is disclosed in accordance with the provisions of the Financial Accounting Standards Board ("FASB") Statement No. 69 "Disclosures about Oil and Gas Producing Activities".

Exploration and production activities

Norcen has capitalized property acquisition, exploration and development costs pertaining to its Canadian and foreign oil and gas operations as follows:

December 31	1984	1983
Properties		
Canada		
proven	$ 867,742	$ 790,788
unproven	60,664	51,881
Foreign(i)		
proven	111,459	75,306
unproven	13,813	11,226
Production equipment	214,522	192,687
	1,268,200	1,121,888
Accumulated depreciation, depletion and amortization	393,973	328,644
Capitalized costs	$ 874,227	$ 793,244

(i) Principal areas of spending have been in Australia, and the United States.

The following table presents information on Norcen's oil and gas property acquisition, exploration and development activities.

	Canada	Foreign	Total
Costs capitalized in the year			
1984			
Property acquisition	**$ 15,869**	**$ 6,913**	**$ 22,782**
Exploration(i)			
proven	**46,732**	**28,012**	**74,744**
unproven	**8,783**	**2,587**	**11,370**
Development(i)	**32,678**	**4,738**	**37,416**
Total capitalized	**$ 104,062**	**$ 42,250**	**$ 146,312**
1983			
Property acquisition	$ 20,068	$ 2,970	$ 23,038
Exploration(i)			
proven	40,283	(11,261)	29,022
unproven	19,442	(782)	18,660
Development(i)	35,702	(2,249)	33,453
Total capitalized	$ 115,495	$ (11,322)	$ 104,173
1982			
Property acquisition	$ 15,112	$ 865	$ 15,977
Exploration(i)			
proven	121,000	26,441	147,441
unproven	(71,685)	(4,806)	(76,491)
Development(i)	41,263	3,535	44,798
Total capitalized	$ 105,690	$ 26,035	$ 131,725

(i) Exploration and development costs in Canada are shown net of petroleum incentive payments earned of $85,699,000 in 1984, ($84,229,000 in 1983; $83,758,000 in 1982).

(Tabular amounts are in thousands of dollars except where noted)

	Canada	Foreign	Total
Net revenues from producing oil and gas			
1984			
Gross revenue(i)	**$540,912**	**$ 2,910**	**$543,822**
Production expenses	**248,417**	**898**	**249,315**
Depreciation, depletion and amortization expense(iii)	**60,966**	**4,363**	**65,329**
	231,529	**(2,351)**	**229,178**
Income tax expense	**129,524**		**129,524**
Results of operations from producing activities (excluding corporate overhead and interest costs)	**$102,005**	**$ (2,351)**	**$ 99,654**
1983			
Gross revenue(i)(ii)	$ 465,620	$ 2,618	$ 468,238
Production expenses	219,491	1,140	220,631
Depreciation, depletion and amortization expense(iii)	51,960	5,880	57,840
	194,169	(4,402)	189,767
Income tax expense(ii)	107,773		107,773
Results of operations from producing activities (excluding corporate overhead and interest costs)(ii)	$ 86,396	$ (4,402)	$ 81,994
1982			
Gross revenue(i)(ii)	$ 389,993	$ 2,210	$ 392,203
Production expenses	190,505	830	191,335
Depreciation, depletion and amortization expense(iii)	38,104	4,944	43,048
	161,384	(3,564)	157,820
Income tax expense(ii)	71,983		71,983
Results of operations from producing activities (excluding corporate overhead and interest costs)(ii)	$ 89,401	$ (3,564)	$ 85,837

(i) Revenue is before freehold and crown royalty payments of $153,323,000 in 1984 ($122,644,000 in 1983; $103,501,000 in 1982) which have been included in production expenses.
(ii) The financial data presented has been restated for the prior period adjustment reflecting the current status of the Suncor litigation (Note 2).
(iii) Depletion expense per dollar of net revenue (gross revenue less freehold and crown royalties and production revenue taxes) was $0.16, $0.15 and $0.13 in 1984, 1983 and 1982, respectively.

Reserves as determined by company engineers are stated on a before royalty basis and include proven remaining reserves together with probable additional reserves reduced by a risk factor, all in accordance with Canadian practice.

The reserve information provided below, as determined by independent reservoir engineers, McDaniel & Associates Consultants Ltd., is provided on a proven reserve basis only, after deducting royalty interests of governments and others. All of Norcen's proven reserves are developed. The reserve quantity information summarizes the changes in quantities of net proven Canadian oil and gas reserves determined using constant prices and costs. Such quantities vary from reserves determined by company engineers primarily due to timing differences in making reserve estimates.

Year ended December 31	**1984**		1983		1982	
	liquids (000s bbls)	gas (mmcf)	liquids (000s bbls)	gas (mmcf)	liquids (000s bbls)	gas (mmcf)
Beginning of year	**73,139**	**665,594**	73,473	696,889	79,121	617,663
Revisions of previous estimates	**5,826**	**7,618**	5,668	(17,208)	843	61,690
Purchase of reserves in place						13,393
Extensions, discoveries and other additions	**1,238**	**12,341**	2,552	15,861	1,042	38,149
Production	**(9,710)**	**(33,379)**	(8,554)	(29,948)	(7,533)	(34,006)
End of year	**70,493**	**652,174**	73,139	665,594	73,473	696,889

Oil and gas liquids at the end of each year include 17.3, 18.2 and 17.4 million barrels in 1984, 1983 and 1982, respectively, as Norcen's oil sands royalty interest.

Standardized measure of discounted future net cash flows and changes therein relating to proved oil and gas reserves

In calculating the standardized measure of discounted future net cash flows, prices and costs in effect at January 1, 1985 were assumed to be constant, were applied to proven reserves and provision was made for estimated future development expenditures that will be required to produce the reserves. Royalty deductions were based on laws, regulations and contracts existing at the end of the fiscal year. The discounted future net cash flows are derived by applying a 10% discount factor, as required by the FASB Statement No. 69 rules, to the future net cash flows. **Management believes that this information does not sufficiently reflect the current economic value of the oil and gas producing properties or the present value of estimated future cash flows since no economic value is attributed to potential reserves, the use of a 10% discount rate is arbitrary and prices constantly change from year end levels.**

Year ended December 31	1984	1983	1982
	(millions of dollars)		
Future cash inflows	**$5,364**	$5,584	$5,851
Future production costs	**2,624**	2,808	2,828
Future development costs	**60**	60	55
Future income tax expense (undiscounted)	**1,434**	1,478	1,613
Future net cash flows	**$1,246**	$1,238	$1,355
Standardized measure of discounted future net cash flows	**$ 694**	$ 649	$ 680

The following table sets out principal sources of change in the standardized measure of discounted future net cash flows during the respective years:

Year ended December 31	1984	1983	1982
	(millions of dollars)		
Sales of oil and gas and value of transfers	**$ (295)**	$ (253)	$ (204)
Net changes in prices and production costs			
conventional reserves	**47**	(11)	259
oil sands royalty	**(36)**	(22)	36
Extensions, discoveries and improved recovery, less related costs	**30**	55	38
Purchases of reserves in place			14
Development costs incurred during the period	**11**	7	11
Revisions of previous quantity estimates and other	**199**	54	162
Accretion of discount	**65**	68	48
Net changes in income taxes	**24**	71	(168)
Net increase (decrease)	**45**	(31)	196
Beginning of year	**649**	680	484
End of year	**$ 694**	$ 649	$ 680

Five-year summary

	Year ended December 31				
	1984	1983	1982	1981	1980
Income	(millions of dollars)				
Sales and other revenues					
Oil and gas	**$ 519.5**	$ 429.8	$ 369.0	$ 262.6	$ 246.9
Mineral resources	**50.7**	22.8	5.3	2.7	
	570.2	452.6	374.3	265.3	246.9
Costs and expenses					
Gas purchases	**54.0**	47.3	41.4	34.3	28.2
Production, operations and administration	**105.8**	96.1	90.3	77.5	67.7
Production revenue taxes	**60.0**	49.4	40.5	18.1	
Depreciation and depletion	**78.6**	62.2	44.9	33.9	37.2
Interest	**66.9**	61.0	57.4	35.8	25.5
Income taxes	**120.8**	78.1	48.2	35.9	32.2
Minority interests	**1.6**	1.6	1.6	0.6	0.9
	487.7	395.7	324.3	236.1	191.7
Income from continuing operations	**82.5**	56.9	50.0	29.2	55.2
Earnings of gas utilities	**21.8**	21.5	20.8	16.6	17.7
Income before extraordinary item	**$ 104.3**	$ 78.4	$ 70.8	$ 45.8	$ 72.9
Dividends on preference shares	**$ 11.7**	$ 2.2	$ 2.1	$ 2.3	$ 2.4
Income applicable to ordinary shares before extraordinary item	**$ 92.6**	$ 76.2	$ 68.7	$ 43.5	$ 70.5
Cash from operations	**$ 214.5**	$ 181.9	$ 150.0	$ 105.0	$ 135.3
Capital expenditures					
Oil and gas	**$ 155.4**	$ 106.1	$ 134.0	$ 100.9	$ 188.5
Mineral resources		0.4	27.7		
	$ 155.4	$ 106.5	$ 161.7	$ 100.9	$ 188.5
Ordinary shares(i)	(millions)				
Average number of outstanding	**56.2**	54.7	53.2	53.4	52.9
Number of shareholders	(thousands)				
voting	**17.2**	18.1	20.9	22.3	24.0
non-voting	**17.1**	18.7	20.9	22.3	24.0
Earnings per share	(dollars)				
(before extraordinary item)	**$ 1.65**	$ 1.39	$ 1.29	$ 0.81	$ 1.33
Dividends per share	**$ 0.50**	$ 0.50	$ 0.50	$ 0.50	$ 0.475
Market price					
High	**$ 20.00**	$ 20.50	$ 17.63	$ 17.13	$ 20.00
Low	**$ 13.625**	$ 14.06	$ 10.88	$ 10.50	$ 14.00
Close					
voting	**$ 15.50**	$ 17.13	$ 14.56	$ 13.44	$ 15.50
non-voting	**$ 14.00**	$ 16.13	$ 14.56	$ 13.44	$ 15.50
Capitalization	(millions of dollars)				
Long term debt (excluding current maturities)	**$ 335.1**	$ 457.6	$ 263.0	$ 142.9	$ 152.5
Deferred income taxes	**273.6**	220.8	171.6	131.0	100.5
Minority interests	**13.2**	11.6	7.9	6.3	6.2
Redeemable preference shares	**158.7**	153.2	38.9	42.6	40.3
Ordinary shareholders' equity	**628.5**	560.3	476.2	429.7	408.9
	$1,409.1	$1,403.5	$ 957.6	$ 752.5	$ 708.4
Assets					
Properties, plant and equipment	**$1,125.1**	$1,048.1	$ 791.5	$ 674.3	$ 607.4
Total assets	**$1,849.9**	$1,702.7	$1,352.0	$1,063.2	$ 899.2

(i) On the assumption that, prior to a change in share capital on November 4, 1983, each ordinary share was equivalent to one-half a common share.

	1984	1983	1982	1981	1980
Oil and gas					
Production (before royalties)					
	(thousands of barrels per day)				
Crude oil, synthetic crude oil and natural gas liquids	**34.7**	30.9	27.0	24.9	27.2
	(millions of cubic feet per day)				
Natural gas	**130.7**	119.3	137.8	131.9	149.7
	(thousands of long tons)				
Sulphur	**42.0**	34.0	44.0	39.3	36.9
	(millions of cubic feet per day)				
Gas gathering and transmission sales	**47.6**	46.0	45.8	48.2	53.9
	(thousands of barrels per day)				
Oil gathering and transmission throughput	**84.6**	81.2	77.1	63.2	70.4
	(millions of imperial gallons)				
Liquefied petroleum gas sales	**65.2**	60.2	65.2	61.2	62.8
Reserves (before royalties)					
	(millions of barrels)				
Oil and gas liquids	**115.8**	117.5	114.3	119.7	122.1
	(billions of cubic feet)				
Natural gas	**1,086.0**	1,103.0	1,133.0	1,127.3	1,127.4
	(thousands of long tons)				
Sulphur	**408.0**	438.0	492.0	437.0	489.0
	(millions of gross acres)				
Oil and gas land holdings	**27.9**	21.5	23.1	23.6	30.0
	(millions of net acres)				
	5.1	4.6	5.4	5.9	7.1
Mineral resources (acquired in July, 1983)					
Iron ore sales					
	(millions of tonnes)				
Pellets	**6.8**	6.3	6.1	11.6	12.3
Concentrates and other	**7.5**	6.8	7.4	9.6	9.2
	14.3	13.1	13.5	21.2	21.5
	(number)				
Employees at year-end	**1,060**	1,046	1,135	1,027	1,045

Directors and officers

Directors

Robert F. Anderson[4]
Cleveland, Ohio
Chairman and
Chief Executive Officer,
The Hanna Mining Company
Chairman and
Chief Executive Officer,
Iron Ore Company of Canada

Donald D. Barkwell
Calgary, Alberta
Executive Vice-President

Douglas G. Bassett[4]
Toronto, Ontario
President and
Chief Executive Officer,
Baton Broadcasting Incorporated

Edward G. Battle[1]
Toronto, Ontario
President and
Chief Executive Officer

Conrad M. Black[1]
Toronto, Ontario
Chairman of the Board
Chairman, Argus Corporation Limited

G. Montegu Black[1,3]
Toronto, Ontario
President and
Chief Executive Officer,
Argus Corporation Limited

Edmund C. Bovey, C.M.[1]
Toronto, Ontario
Director of various companies

Dixon S. Chant[1,3]
Toronto, Ontario
Deputy Chairman,
Argus Corporation Limited

E. Jacques Courtois, Q.C.[1]
Montreal, Quebec
Partner, Stikeman Elliott
Barristers and Solicitors

Robert Després, O.C.[3]
Quebec City, Quebec
Chairman,
Atomic Energy of Canada Limited

Fredrik S. Eaton[3,4]
Toronto, Ontario
Chairman, President and
Chief Executive Officer,
The T. Eaton Company Limited

John R. Finlay, Q.C.[2]
Toronto, Ontario
Vice-President,
Argus Corporation Limited

Percy C. Finlay, Q.C.[4]
Toronto, Ontario
Chairman, Hollinger Argus Limited and
Labmin Resources Limited
Partner, Holden, Murdoch and Finlay
Barristers and Solicitors

Frederick A.M. Huycke, Q.C.
Toronto, Ontario
Partner, Osler, Hoskin & Harcourt
Barristers and Solicitors

Richey B. Love, Q.C.[2]
Calgary, Alberta
Partner, Macleod Dixon
Barristers and Solicitors

Hon. W. John McKeag[2]
Winnipeg, Manitoba
President,
McKeag Realty Ltd.

F. David Radler[2,3]
Vancouver, British Columbia
President, Sterling Newspapers Ltd.
President and
Chief Executive Officer,
Dominion Stores Limited

C. Bruce Ross
Toronto, Ontario
Vice-President, Minerals
President, Labrador Mining and Exploration Company Limited

John R. Yarnell[2]
Toronto, Ontario
President, Yarnell Companies Limited

Officers

Conrad M. Black
Chairman of the Board

Edward G. Battle
President and
Chief Executive Officer

Donald D. Barkwell
Executive Vice-President

Barry D. Cochrane
Senior Vice-President

* **Jean-J. Leroux**
Senior Vice-President, Utilities

Paul H. Palmer
Senior Vice-President,
Administration and Comptroller

Kenneth L. Colby
Vice-President,
Corporate Affairs

William C. Hennenfent
Vice-President,
Exploration

William T. Kilbourne
Vice-President,
Legal and Secretary

Wilfrid A. Loucks
Vice-President

Wayne M. Newhouse
Vice-President,
Production

C. Bruce Ross
Vice-President, Minerals

Timothy G. Sheeres
Vice-President, Finance

Gordon B. Singer
Vice-President,
Accounting and Services

Arthur L. Wood
Vice-President,
Heavy Oil

Alick S.G. Duguid
Treasurer

Thomas G. Bane
Assistant Secretary

Christine L. Elliot
Assistant Secretary

E.M. (Lynne) Macdonald
Assistant Treasurer

Mart Pedel
Assistant Treasurer

* Mr. Leroux resigned from the Company on January 25, 1985.

[1] Executive Committee
[2] Audit Committee
[3] Compensation Committee
[4] Pension Committee

Distribution of voting ordinary shares
As at December 31, 1984

	Shareholders		Shares	
	Number	Percent	Number	Percent
			(thousands)	
Alberta	1,845	10.75	880	3.14
British Columbia	1,994	11.62	835	2.97
Manitoba	780	4.54	363	1.29
New Brunswick	156	0.91	25	.09
Newfoundland	31	0.18	5	.02
Northwest Territories	9	0.05	1	.01
Nova Scotia	430	2.51	141	.50
Ontario	6,263	36.48	21,180	75.47
Prince Edward Island	48	.28	12	.04
Quebec	1,768	10.30	4,093	14.58
Saskatchewan	381	2.22	89	.32
Yukon	2	.01	1	.01
Total Canadian	13,707	79.85	27,625	98.44
U.S.A.	3,329	19.39	410	1.46
Other foreign	131	.76	29	.10
Total	17,167	100.00	28,064	100.00

Distribution of non-voting ordinary shares
As at December 31, 1984

	Shareholders		Shares	
	Number	Percent	Number	Percent
			(thousands)	
Alberta	1,855	10.87	1,061	3.75
British Columbia	2,034	11.92	843	2.98
Manitoba	771	4.52	707	2.50
New Brunswick	160	.94	46	.16
Newfoundland	31	.18	14	.05
Northwest Territories	8	.05	1	.01
Nova Scotia	363	2.13	172	.61
Ontario	6,184	36.25	21,915	77.50
Prince Edward Island	48	.28	12	.04
Quebec	1,751	10.27	2,957	10.46
Saskatchewan	389	2.28	99	.35
Yukon	2	.01	1	.01
Total Canadian	13,596	79.70	27,828	98.42
U.S.A.	3,333	19.54	419	1.48
Other foreign	129	.76	28	.10
Total	17,058	100.00	28,275	100.00

Corporate information

Offices

Executive & Registered

4600 Toronto-Dominion Centre
Toronto, Ontario
M5K 1E5
(416) 947-4000

Annual Meeting

The annual meeting of shareholders will be held in Commerce Hall, Commerce Court West, King and Bay Streets, Toronto, Ontario, on Tuesday, April 16, 1985 at 10:00 a.m. local time. Shareholders are encouraged to attend the meeting, but those unable to do so are asked to sign and return the form of proxy mailed with this report.

Oil and gas division

Norcen Energy Resources Limited [1]

Cigas Products Ltd. [2,7]

Prairie Oil Royalties Company, Ltd. [3,9]

Norcen International Ltd. [2,7]
715-5th Avenue S.W.
Calgary, Alberta
T2P 2X7
(403) 231-0111

Mineral resources division

Labrador Mining and Exploration Company Limited [4,7]
4600 Toronto-Dominion Centre
Toronto, Ontario
M5K 1E5
(416) 947-4000

Coleman Collieries Limited [2,9]
Coleman, Alberta
T0K 0M0
(403) 562-2841

*** Gas utilities division**

*** Northern and Central Gas Corporation Limited** [5,7]
245 Yorkland Boulevard
North York, Ontario
M2J 1R1
(416) 491-1880

*** Greater Winnipeg Gas Company** [6,8]
265 Notre Dame Avenue
Winnipeg, Manitoba
R3B 1N9
(204) 988-3711

[1] Federal company
[2] Alberta company
[3] Saskatchewan company
[4] Newfoundland company
[5] Ontario company
[6] Manitoba company
[7] 100% owned
[8] More than 99% owned
[9] 74% owned

Transfer agents and registrars

Ordinary shares

The National Victoria and Grey Trust Company, Toronto, Calgary, Montreal, Winnipeg and Vancouver

Canada Permanent Trust Company
Regina

Morgan Guaranty Trust Company of New York, New York

Preference shares

The National Victoria and Grey Trust Company, Toronto, Calgary, Montreal, Winnipeg and Vancouver

Canada Permanent Trust Company
Regina

Stock exchange listings and symbols

Toronto and Montreal stock exchanges

Voting Ordinary Shares: NCN
Non-Voting Ordinary Shares: NCN.A
First Preference Shares, Series A: NCNPr.A
First Preference Shares, Series B: NCNPr.B
Junior Preference Shares, 1983 Series: NCNPr.E

Luxembourg Stock Exchange

12¾% Unsecured Debentures, Series A

*The gas utilities division was sold to Inter-City Gas Corporation effective September 30, 1984.

Trustees

10¼% & 11¼% Secured Notes due December 31, 1988
The Royal Trust Company, Toronto

11¼% Secured Debentures due August 15, 1996
The National Victoria and Grey Trust Company, Toronto

12¾% Unsecured Debentures, Series A due August 15, 1993
Guaranty Trust Company of Canada, Toronto

13¼% Unsecured Debentures, Series B due December 19, 2003
Guaranty Trust Company of Canada, Toronto

Auditors

Thorne Riddell
Chartered Accountants

10-K Report

A copy of the Company's 10-K report filed with the United States Securities and Exchange Commission will be sent to any registered shareholder upon written request to the Company Secretary.

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